



Audit Committee

Date: Tuesday, 26 July 2022

Time: 10.00 am

Venue: Council Antechamber, 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 -

Lanchbury (Chair), Curley, Flanagan, Good, Russell, Simcock and Wheeler,

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

Supplementary Agenda

- | | | |
|----|---|-----------|
| 5. | Updated Draft Statement of Accounts 2020/21
Report of the Deputy Chief Executive and City Treasurer is attached | 3 - 332 |
| 6. | Draft Audit Completion report (2020/21)
Report of the External Auditors (Mazars) attached | 333 - 380 |

Further Information

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

Donna Barnes
Tel: 0161 234 3037
Email: donna.barnes@manchester.gov.uk

This supplementary agenda was issued on **Wednesday 20 July 2022** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 2, Town Hall Extension (Library Walk Elevation), Manchester M60 2LA

**Manchester City Council
Report for Resolution**

Report to: Audit Committee – 26 July 2022

Subject: Updated Statement of Annual Accounts 2020/21

Report of: The Deputy Chief Executive and City Treasurer

Summary

To provide an update to Members of the revised 2020/21 accounts containing the amendments detailed in the report. These accounts are updated from those reported to the 27 July 2021 Committee and take account of any changes that have arisen since that time, including the findings of external audit. Before the audit can be concluded further changes may be required to these accounts due to a national accounting issue relating to the approach to the valuation of highways infrastructure, which has affected all Councils.

Recommendations

The Committee is asked to:

1. Note the amendments made to the annual accounts since they were reported to the Audit Committee in July 2021.
2. Approve the revised annual accounts including the accounting policies contained within them subject to the Deputy Chief Executive and City Treasurer working with finance staff, external auditors and the Executive Member for Finance to finalise any amendments as a result of the highways infrastructure issue and to report the annual accounts back to Audit Committee highlighting the changes made.
3. Agree to not amend the annual accounts in relation to investment property valuations as detailed in paragraph 2.20.
4. Agree to not amend the annual accounts in relation to the consolidation adjustment in the group accounts for leases as detailed in paragraph 2.46.

Wards Affected: All

Contact Officers:

Name: Carol Culley
Position: Deputy Chief Executive
and City Treasurer
Telephone: 0161 234 3406
carol.culley@manchester.gov.uk

Name: Tom Wilkinson
Position: Deputy City Treasurer
Telephone: 0161 234 1017
tom.wilkinson@manchester.gov.uk

Name: Karen Gilfoy
Position: Chief Accountant
Telephone: 0161 234 3556
karen.gilfoy@manchester.gov.uk

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 working papers
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
Report to Audit Committee 27 July 2021 – Draft Annual Accounts 2020/21
Report of External Auditors, Mazars to Audit Committee 26 July 2022
Draft Audit Completion Report 2020/21

1. Introduction and Background

- 1.1. Members will recall that the draft Annual Accounts were reported to Audit Committee on 27 July 2021 following their approval by the Deputy Chief Executive and City Treasurer.
- 1.2. The deadline for the Accounts and Audit were amended by legislation in reflection of the impact of the COVID pandemic. On 9 March 2021, the Government laid regulations before Parliament that amended the draft and final accounting deadlines for principal councils, police and fire bodies. The Accounts and Audit (amendment) Regulations 2021 came into force on the 31 March 2021 and amended the publication deadlines for 2020/21 for the draft accounts from 31 May to 31 July and from 31 July and 30 September for audited accounts.
- 1.3. There have been well publicised issues nationally with the timeline for completing audits of local government accounts. For 2020/21 only 9% of accounts audits were concluded by the deadline of 30 September 2021, despite 85% of councils (including Manchester) submitting their draft accounts by 31 July 2021. These issues are complex and have a number of causes including a limited number of firms within the market, a shortage of suitably qualified auditors working for those firms, tighter regulation of auditors and the additional difficulties brought by the COVID pandemic. These, combined with the difficulties of remote audits, the increased scrutiny of balance sheet items particularly valuations and the lack of capacity within local authorities, have caused significant delays to the process.
- 1.4. Following the Redmond Review, discussions have taken place with the Government and other stakeholders in order to agree a way forward to address the problems with local audit and work to create a sustainable audit market with more qualified audit firms and greater numbers of qualified auditors. These discussions have progressed, including through working groups established by DLUHC, looking at future proposals for the operation of audit committees and for improving the external audit market.
- 1.5. In addition, following enhanced focus by the Financial Reporting Council there has been additional review of the valuation processes for all local authorities.
- 1.6. More recently concerns have been raised by a local government auditor, that some authorities are not applying component accounting requirements appropriately for transport infrastructure assets. This has exposed issues in local authorities being able to accurately value all of their highways network in the way required in the Accounting Code. Resolving this issue is an area of focus for CIPFA, DHLUC, PSAA and all local audit firms. The issue raised is in relation to the derecognition (removal of the carrying amount) of parts of infrastructure assets when

replacement expenditure is undertaken. This may have the impact of overstating the value of highway and infrastructure assets in the accounts. There are also related issues for the reporting of gross historical cost and accumulated depreciation.

- 1.7. Infrastructure assets are one of the few categories of property, plant and equipment assets that are measured at historical cost rather than at an asset measurement described as 'current value'. The valuation process for these assets was deemed to be too costly, and therefore infrastructure assets are held in local authority balance sheets at depreciated historical cost. Normal custom and practice for (highways) infrastructure assets is that derecognition does not affect asset balances because the assets are expected to have been fully used up before the replacement expenditure takes place; this does require that assets are properly depreciated in line with the requirements of the Accounting Code.
- 1.8. This issue arises in part because of limitations on historical information relating to when the assets were first recorded on balance sheets in the early 1990s, and where there have been transfers of assets because of local authority reorganisations. It is also extremely difficult to clearly identify the parts of the assets which are being replaced.
- 1.9. CIPFA has undertaken a consultation on a potential solution to this issue to which Manchester has responded. At the time of writing this report the results of this consultation are not available and a solution will not be reached in time to enable formal sign off of the accounts for the July Committee as no audit opinions on accounts are being issued until the issue is resolved. Following this consultation further changes may be required to the highways asset valuation in the 2020/21 accounts and these will be reported to a future Audit Committee.
- 1.10. The accounts and audit process for 2020/21 has been a challenging one both for the Council and External Auditors. Whilst the deadline for the draft accounts was met it is acknowledged that due to key staff absences within the small corporate finance team and the delay in the receipt of information from external bodies (Group Accounts); there was less quality assurance undertaken of the draft accounts than had previously been the case. There have also been some delays in responding to audit queries particularly where information was required from external sources. This is being addressed for the 2021/22 accounts. A lessons learnt review has been undertaken with the support of Internal Audit. In addition, additional resource been added to the corporate team and further training has been provided to the wider financial management team to improve understanding of the financial statements, the quality assurance and external audit evidence required.
- 1.11. This report summarises the amendments that have been made following the work undertaken by the Council's External Auditors,

Mazars. Further details can also be found in the External Auditor's report elsewhere on this agenda.

- 1.12. There have been no changes to the Annual Governance Statement from that reported to Members in July.

2. Changes to the Main Accounting Statements

- 2.1. There have been no changes to the draft accounts that effect the usable reserves of the Council, and therefore its underlying resource position. However, there have been a number of other changes.

- 2.2. These changes are listed by area of audit work in the following paragraphs.

Property, Plant and Equipment (PPE), Investment Properties and Held for Sale Assets.

- 2.3. As stated above external auditors are under increased scrutiny to ensure that the valuation of assets held on local authority balance sheets are accurate. As a result, there has been an extensive review and audit challenge of the values of the assets reported in the Balance Sheet and associated notes. This has required numerous discussions with both the Council's internal and external valuers.
- 2.4. A sample of valuations for property, plant and equipment, investment properties and held for sale assets have been reviewed by the valuation expert employed at Mazars. This review included the challenge of assumptions used by the Council's internal and external valuers. This has resulted in assumptions being revisited and revised valuations being provided and adjusted for in the accounts if materially significant.
- 2.5. There has also been a detailed review of the assets that have not been revalued in 2020/21. The CIPFA Code allows authorities to undertake their property, plant and equipment valuations over a five-year rolling programme provided they are not materially misstated at the balance sheet date.
- 2.6. As a result of this examination there have been a number of changes made to the financial statements.
- 2.7. As there is not considered to be an active market in the sale of libraries, they are valued using depreciated replacement cost for a modern equivalent asset. This means that Central Library is valued on how it would be replaced if it was rebuilt as a new, modern asset rather than an historic one. However, the valuation should have been undertaken using the same floor area as the current library, but the original valuation used a larger area as the service were of the view that if a new facility was built it would be of a larger size. The revised valuation has resulted in a reduction in the valuation of £21.730m.

- 2.8. The remaining changes for PPE relate to indexation of assets that were not valued in 2020/21. Indexation seeks to adjust the value of the assets on the balance sheet by the rate that asset values have changed in the general market to provide a more up to date view. An initial exercise was undertaken by external valuers that looked at various categories of assets such as schools and leisure centres. This provided details by category of asset of the percentage increase since the last valuation. This was not considered to produce a material difference from the net book value of the assets, so the draft accounts were not amended.
- 2.9. Various issues have been identified during the audit relating to the indexation exercise. Specialist assets such as the Velodrome and Football Museum were not included, no account was taken of expenditure or depreciation since the last valuation and the indexation was applied to current net book value rather than the previous valuation.
- 2.10. The indexation exercise has been rerun and has led to an increase in the value of PPE of £23.441m relating to general assets and £8.122m relating to specialist assets.
- 2.11. For assets to be classed as held for sale they must be available for immediate sale in their 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. One of the assets that was classed as held for sale in the draft accounts did not meet the condition of being actively marketed at the year-end date. An amount of £4m has therefore been transferred from assets held for sale to surplus assets.
- 2.12. The amendments above result in an increase in the value of PPE of £13.531m and a reduction in held for sale assets of £4m (net effect for non-current assets of £9.531m).
- 2.13. Following these changes additional depreciation of £0.302m has been charged to net cost of services within the Comprehensive Income and Expenditure Account (CIES) and credited to the Capital Adjustment Account (CAA) - an unusable reserve.
- 2.14. Upward revaluations are credited to the Revaluation Reserve and shown within Total Other Comprehensive Income and Expenditure in the CIES. Downward revaluations are charged to net cost of services and credited to the Capital Adjustment Account unless there is a balance in the Revaluation Reserve relating to that asset.
- 2.15. The effect of these revaluations is an increase in net cost of services of £20.6m (depreciation £0.3m and downward valuations £20.3m) and an additional surplus on revaluation of PPE of £30.1m - net effect £9.5m.

This is a 0.3% change in the Council's PPE asset base of £2.746m.

- 2.16. In addition, following a detailed review by the Mazars valuation expert the valuations for Central Retail Park, Home Cultural Facility and land at New Elm Street investment properties were considered to be within the acceptable range.
- 2.17. Following challenge and numerous discussions between the Council's external valuer, corporate finance and Mazars valuation expert assumptions relating to yields used in the calculation of the valuation of a number of investment properties were amended. These related to the Etihad Stadium and the Arndale Centre and resulted in a reduction in the valuations of £2.850m.
- 2.18. The land valuation for Sharp House had been duplicated in the accounts in error. This duplication was removed and resulted in a reduction in value of £3.565m.
- 2.19. An additional lease agreement relating to land at Manchester Airport commenced in August 2020 but was not taken account of in the valuation of this land in the draft accounts. This valuation has been updated and as a result the valuation of investment property has been increased by £7.591m with a matching increase in the Capital Adjustment Account.
- 2.20. The remainder of the investment properties reviewed by Mazars were considered by the Mazars valuation expert to be outside the expected range of values. These related to Sharp House (after the amendment referred to in the previous paragraph), the Arndale Centre (after the amendment referred to in the previous paragraph) and Manchester Convention Centre. Mazars concluded they are £7m over their expected value. Given this is not a material difference the Council has not amended the accounts and has included a recommendation to Committee that the accounts should not be adjusted for these. Investment properties are required to be revalued annually so these values will be reassessed for the 2021/22 accounts.
- 2.21. As a result of these changes the value of investment properties have been increased by £1.176m in the revised accounts.
- 2.22. Changes in the value of investment properties are shown within the Financing and Investment Income and Expenditure line within the Consolidated Income and Expenditure Statement which has therefore been amended from net income of £4.1m in the draft accounts to £5.3m in the revised accounts (a change of £1.176m).
- 2.23. The changes in assets totalling £10.7m (increase in PPE £13.5m, increase in investment property £1.2m and reduction in assets held for sale £4m) result in an increase in the Revaluation Reserve of £30m and

a decrease in the Capital Adjustment Account of £19.3m - a net increase of £10.7m in the net worth of the Council.

- 2.24. The surplus on provision of services has reduced by £19.450m. This relates to additional depreciation £0.302m, downward revaluations charged to services £20.325m partly offset by upward revaluations on investment properties £1.176m. These additional charges are reversed via the Movement in Reserves Statement (MIRS) to unusable reserves so have no effect on the usable reserves of the Council.
- 2.25. Discussions have been undertaken with the Council's external valuers with the aim of improving the evidence provided and justification of assumptions used in future valuation reports including the information they require from council officers and external sources. In addition, it is intended that there will be more quality assurance of the valuations by Corporate Finance before they are used in the 2021/22 accounts.
- 2.26. The total value of all the asset adjustments is £10.707m against a revised asset value of £4,456.1m. This has resulted in balance sheet changes to PPE and Investment Properties, a reduced surplus on the provision of services in the CIES, changes to the MIRS and cash flow statement together with the related notes – the expenditure funding analysis (note 3), note to the expenditure funding analysis (note 4), significant items warranting additional disclosure (note 10), expenditure and income analysis (note 11), adjustments between funding and accounting basis under regulations (note 12), financing and investment income and expenditure (note 15), property, plant and equipment (note 21), investment properties (note 30), unusable reserves (note 41) and cash flow – adjustment for items included in the net surplus on the provision of services for on cash movements (note 49).

Accounting for Pensions

- 2.27. The pension values in the accounts are based on figures provided by the pension fund actuary. Due to timing of the production of this report the figures are estimated based on the latest information available. The return on assets figure is based on actuals to December and included an estimate for the final quarter. The estimated return was 21.4% but the actual return for the full year was 22.2%.
- 2.28. As a result of this updated information a revised actuarial report was commissioned.
- 2.29. In this revised report the value of return on assets increased from £551.538m in the draft accounts to £575.680m, an improvement of £24.142m. The revised accounts have been amended for this change. This results in a reduction in the pensions liability and the negative pensions reserve on the balance sheet so improving the Council's net

worth by £24.142m. This is also reflected in total other comprehensive income and expenditure in the CIES.

- 2.30. The Council paid three years pension contributions to the Greater Manchester Pension Fund up front in 2020/21 for the years 2020/21 to 2022/23 in return for a reduction in the contribution rate generating a saving to the Council. The presentation of the value of two years prepayment totalling £86.428m in the pensions note was incorrect and has been amended reducing the employer's contributions payable in the year line by £86.428m so that it reflects the contributions relating to 2020/21 only. The presentation has also been amended in the Movement in Reserves Statement and the related note (note 12).

Cash, debtors and creditors

- 2.31. The Council has two main bank accounts – the payments account and the receipts account. The transactions from the bank accounts are uploaded into the Council's ledger the following day as receipts can be received on-line 24 hours a day. For receipts a significant number of these will be made directly into the bank account. As a result, the items received on 31 March 2021 are not receipted and interfaced into the financial ledger until 1 April 2021 (the following financial year) as is usual practice. Likewise, some payments particularly those made by CHAPS on 31 March 2021 are not entered into the ledger into 1 April 2021.
- 2.32. In order to reflect the correct bank, debtor and creditor position at 31 March adjustments need to be made to the ledger to write down outstanding debtors by the cash received on 31 March and creditors reduced by CHAPS that left the bank account on 31 March.
- 2.33. Unfortunately, whilst the analysis of the relevant transactions had been completed these adjustments were not presented correctly in the draft accounts. This should have been picked up as part of the quality assurance by checking that the bank balances in the accounts agreed to the 31 March bank statements, but this was missed. The Council identified this issue after the draft accounts were published. This check has been undertaken for the 2021/22 accounts.
- 2.34. These amendments have been included in the revised accounts and as a result the cash and cash equivalents balance has increased by £5.741m, debtors have reduced by £33.187m and creditors by £27.446m.
- 2.35. This change has been reflected in an amended analysis in the debtors and creditors notes as well as the cash flow statement, related notes and the financial instruments note.
- 2.36. As part of the income test samples reviewed by Mazars during their audit, it was identified that debtors relating to two instalments of Adults

Asylum Seekers Grant from the Home Office had been excluded from the draft accounts. These totalled £1.557m. This is an agency arrangement whereby the Council acts as an agent of Central Government and passports this money to other local authorities. The creditors to other local authorities of £1.557m was also excluded from the draft accounts. These have been included in the amended accounts.

Council tax and business rates income

- 2.37. During the audit it was identified that a journal had been misposted in the General Fund which resulted in council tax income being overstated by £2.902m and business rates income understated by the same amount. This has been corrected. The business rates income should reconcile to NNDR3 return to Central Government. This check was missed in the 2020/21 accounts but has been undertaken for the 2021/22 accounts.

Consolidated Income and Expenditure Statement (CIES) and Movement in Reserves (MIRS)

- 2.38. A manual adjustment was made in the draft accounts which resulted in an equal and opposite error of £2.024m between the figures for the surplus on the provision of services and total other comprehensive income and expenditure in the CIES and MIRS. This related to the movement of the dedicated schools grant reserve. The error has been corrected in the revised accounts.
- 2.39. Appendix 1 shows the effect on the CIES and balance sheet of these amendments which result in an increase in the net worth of the Council of £34.849m, a reduced surplus on the provision of services of £19.450m and a reduction in the total other comprehensive income and expenditure of £54.299m.

Single Entity Disclosure Notes

- 2.40. There have been the following changes to the single entity disclosure notes:
- The expenditure and funding analysis and its related notes have been reworked to ensure they are consistent with other notes to the accounts.
 - Note on asset valuations – correction of amounts valued between 2019/20 and 2020/21 financial years
 - Assets held as lessee – 2 leases that relate to sure start centres have been removed from the note as these leases had been terminated previously.
 - Assets held as lessor – adjustment made to the minimum future lease payments relating to a lease to Manchester Airport.
 - Teachers' pensions note – amount paid for added years previously awarded and employee contribution rate corrected

- Deferred liability note - short term / long term analysis added for prior year
- The pooled budget note was expanded to include the entirety of the budget pooled with the Manchester Clinical Commissioning Group rather than just the Better Care Fund element. The prior year figures were also adjusted.
- The related parties note has been revisited and information on additional related parties has been included and a number of corrections made to the figures.
- Financial instruments note – corrections made to some prior year figures and three new tables added showing analysis of potential losses for amounts within cash and cash equivalents held with banks and financial institutions, maturity analysis of financial assets and maturity analysis of financial liabilities
- Cash and cash equivalents note – analysis corrected
- Audit fee for 2019/20 – amended to include additional fees (approved by the PSAA) following the completion of the 2019/20 audit
- The reserves note was amended to include the movement in 2019/20 as well as 2020/21.

Group Accounts

- 2.41. All amendments to the single entity have been reflected in the group accounts. There have been a number of further amendments that effect the group accounts only.
- 2.42. Destination Manchester Ltd (DML) is classed as a subsidiary in the Council's group accounts and as such transactions between the Council and DML should be eliminated from the group accounts. A proportion of the loan from the Council to DML was not excluded in the draft accounts. This has now been amended and as a result group short term debtors have reduced by £0.75m, group long term debtors have reduced by £0.75m and group short term creditors have reduced by £1.5m.
- 2.43. The DML accounts are prepared in accordance with Financial Reporting Standard (FRS)102. As a result, consolidation adjustments have to be made to align the accounting policies used in the group accounts with those of the Council. These consolidation adjustments have been reviewed during the external audit and amended as a result of these discussions.
- 2.44. The DML balance sheet includes goodwill of £4.249m with an amount of £0.556m being charged to the CIES in the year. These amounts had been removed from the group accounts as a consolidation adjustment with the corresponding entry being to group income and expenditure reserve. This adjustment has been reversed as a result of discussions with the external auditors.

- 2.45. In addition, the DML balance sheet contains investments of £3.673m which had been removed as a consolidation adjustment, as in previous years, with the corresponding entry being to group income and expenditure reserve. This adjustment has been reversed following discussions with the external auditors as it is considered that this investment should not have been removed.
- 2.46. Manchester Airports Holdings Ltd (MAHL) 2020/21 accounts have been produced using IFRS16 for lease accounting. This standard has not yet been introduced for local government accounts. In order to align MAHL's accounting policies with that of the Council in the group accounts a consolidation adjustment would be required to remove the MAHL IFRS16 entries and replace them with IAS17 based entries currently used in local government accounts. The impact of this amendment on the group balance sheet would be £1.99m. Given this is not a material difference the Council has not amended the group accounts and has included a recommendation to Committee that the accounts should not be adjusted for this.
- 2.47. There may be one further amendment required to the group accounts relating to depreciation charged on Manchester and East Midlands Airports PPE for the difference in value between that reported in MAHL accounts and that provided by the external valuer commissioned by the Council. An update on this issue will be provided for the Committee.
- 2.48. Appendix 1 shows the effect on the group CIES and balance sheet of the amendments agreed to date which, together with the single entity amendments, result in an increase in the net worth of the group of £42.771m an increased deficit on the provision of services of £19.122m and a reduction in the total other comprehensive income and expenditure of £61.893m.
- 2.49. Other amendments to the group statements and notes include:
- Group CIES amended to reflect single entity prior year restatement
 - Group cash flow statement – amendments made to the statement and related notes
 - Group reconciliation to single entity note – adjustment made to reflect prior year single entity restatement
 - Group PPE note - brought forward balances from 2019/20 have been corrected

Changes to the Narrative Report

- 2.50. The Capital Funding table has been corrected to remove the Greater Manchester programme that related to the prior year.
- 2.51. Summary table showing movement from underspend against budget to surplus on provision of services in CIES has been corrected.

Critical Accounting Judgements

- 2.52. A new critical accounting judgement relating to the treatment of Lender Option Borrower Option (LOBO) loans has been included.

3. Other Changes

- 3.1. The Audit manager completed a review of the unaudited accounts and provided details of changes to the accounts presentation – all these changes have been reflected in the updated audited document

4. Control Issues raised by Mazars

- 4.1. Mazars have raised four deficiencies in internal control in their report, elsewhere on the agenda. These are:
- Land and buildings and investment property valuations
 - The valuation of assets not formally valued in year
 - Setting up or amending imprest accounts
 - Adjustments to the Council's bank balance, debtors and creditors balances
- 4.2. The first two issues are covered in paragraphs 2.1 to 2.26 of this report. Further details of the other two issues and the actions taken to resolve them are included in the following paragraphs.
- 4.3. The Looked after Children (LAC) in remand bank account was set up in May 2020 as young people remanded in custody are entitled to the same pocket money as a Looked After Child in local authority residential care. The Council does not have the facility to use debit cards on its main bank account, so a separate account was set up outside the Council's group of accounts. As the account was outside of the Council's group it was not included by the bank with the list of year end bank balances. In addition, the statements were wrongly addressed and not received by the bank account signatories.
- 4.4. The manager for the looked after children in remand project is also the manager for a district office. c £85k of transactions that should have reimbursed to the district office imprest account had been credited to the separate LAC bank account in error.
- 4.5. This occurred because an error was made in the setting up of the vendor in the Council's payment system for the new LAC bank account and due to a misunderstanding, the bank details of the existing imprest account were used instead of the new LAC bank account.
- 4.6. This error was not identified until after the end of the financial year due to the non-receipt of bank statements which resulted in a bank reconciliation not being completed.
- 4.7. The amount of £85k has been transferred back to the correct bank account.

- 4.8. Bank reconciliations for all imprest accounts have been completed at 31 March 2022 and will continue to be completed each time a reimbursement of the accounts are requested.
- 4.9. Internal Audit have undertaken a piece of work on this issue and whilst they consider that the associated risk of a material error of is low, an audit review of the design and operation of controls over imprest accounts would be appropriate. This will be added to the 2022/23 audit plan.
- 4.10. The cash, debtors and creditor adjustments that were excluded from the draft accounts have been corrected in the accounts appended to this report and further details have been provided in paragraphs 2.31 to 2.34. It is acknowledged that this omission should have been picked up as part of the quality assurance process by checking that the bank balances in the accounts agreed to the 31 March bank statements. This check has been undertaken for the 2021/22 accounts.

5. Next Steps

- 5.1. At the time of writing this report the audit of the 2020/21 accounts is complete apart from any changes to the value of infrastructure assets as a result of the recent consultation and a potential change to the group accounts referred to in paragraph 2.47. Any changes to these values will need to be audited by Mazars.
- 5.2. There have been significant delays in the issuing of the template to complete the 2020/21 Whole of Government Accounts (WGA) return by HM Treasury. The deadline for the submission of cycle 1 of the return is 31 July 2022. The National Audit Office have not yet issued their audit instructions as to what audit work will be required.
- 5.3. Subject to the satisfactory conclusion of the outstanding work, an unqualified opinion on the single entity and group accounts is expected to be issued. At this stage the outcome of the highways infrastructure is unknown and therefore the volume of work that may be required and the potential issues in obtaining historical information cannot be quantified.
- 5.4. If any further amendments to the accounts are identified prior to the Committee meeting they will be reported at the meeting.
- 5.5. The revised Annual Accounts for 2020/21 are appended to this report.

6. Recommendations

- 6.1. The recommendations are listed at the front of this report.

Single entity balance sheet

Balance Sheet at 31 March 2021	Draft accounts £000	Summary of adjustments :										
		Paragraph number	2.7	2.10	2.11	2.13	2.17	2.17	2.18	2.19	2.29	2.34
		Central Library £000	Indexation of PPE £000	Held for Sale Assets £000	Depreciation £000	Etihad	Arndale Centre £000	Sharp House £000	Land at airport £000	Revised IAS19 report £000	Cash, Creditors, Debtors £000	
Non-current assets												
Property, plant and equipment	2,726,063	(21,730)	31,563	4,000	(302)							
Heritage assets	635,802											
Investment properties	474,953					(455)	(2,395)	(3,565)	7,591			
Intangible non-current assets	260											
Long-term investment in subsidiaries, associates and joint ventures	138,964											
Other long-term investments	12,403											
Long-term debtors	446,633											
Total non-current assets	4,435,078	(21,730)	31,563	4,000	(302)	(455)	(2,395)	(3,565)	7,591	0	0	

Current assets											
Inventories and long-term contracts	541										
Short-term debtors	245,041									(33,187)	
Cash and cash equivalents	43,524									5,741	
Short-term assets held for sale	10,339		(4,000)								
Total current assets	299,445	0	0	(4,000)	0	0	0	0	0	(27,446)	
Total assets	4,734,523	(21,730)	31,563	0	(302)	(455)	(2,395)	(3,565)	7,591	0	(27,446)
Current liabilities											
Short-term borrowing	(184,675)										
Short-term creditors	(260,756)										27,446
Short-term provisions	(19,993)										
Short-term deferred liabilities	(12,143)										
Total current liabilities	(477,567)	0	0	0	0	0	0	0	0	0	27,446
Total assets less current liabilities	4,256,956	(21,730)	31,563	0	(302)	(455)	(2,395)	(3,565)	7,591	0	0

Long-term liabilities											
Long-term creditors	(1,026)										
Long-term provisions	(110,306)										
Long-term borrowing	(578,556)										
Long-term deferred liabilities	(144,269)										
Capital grants receipts in advance	(9,420)										
Pensions liability	(973,598)								24,142		
Total long-term liabilities	(1,817,175)										
		0	0	0	0	0	0	0	0	24,142	0
Net assets	2,439,781	(21,730)	31,563	0	(302)	(455)	(2,395)	(3,565)	7,591	24,142	0
Financed by:											
Usable reserves	(911,537)										
Unusable reserves	(1,528,244)	21,730	(31,563)		302	455	2,395	3,565	(7,591)	(24,142)	
Total reserves	(2,439,781)	21,730	(31,563)	0	302	455	2,395	3,565	(7,591)	(24,142)	0

Appendix 1

<p>2.36 Asylum seekers debtors and creditors £000</p>	<p>Total amendments £000</p>	<p>Revised balance sheet £000</p>
	13,531	2,739,594
	0	635,802
	1,176	476,129
	0	260
	0	138,964
	0	12,403
	0	446,633
<p>0</p>	<p>14,707</p>	<p>4,449,786</p>

	0	541
1,557	(31,630)	213,411
	5,741	49,265
	(4,000)	6,339
1,557	(29,889)	269,555
1,557	(15,182)	4,719,341
	0	(184,675)
(1,557)	25,889	(234,867)
	0	(19,993)
	0	(12,143)
(1,557)	25,889	(451,677)
0	10,707	4,267,664

	0	(1,026)
	0	(110,306)
	0	(578,556)
	0	(144,269)
	0	(9,420)
	24,142	(949,456)
<hr/>	<hr/>	<hr/>
0	24,142	(1,793,033)
<hr/>	<hr/>	<hr/>
0	34,849	2,474,631
	0	(911,537)
	(34,849)	(1,563,094)
<hr/>	<hr/>	<hr/>
0	(34,849)	(2,474,631)

Group balance sheet

Appendix 1

Group Balance Sheet at 31 March 2021	Draft accounts £000	Summary of adjustments :					Revised balance sheet £000
		Paragraph number	2.42	2.44	2.45		
		Council amendments £000	DML loan £000	Reinstatement of goodwill £000	Reinstatement of investments £000	Total amendments £000	
Non-current assets							
Property, plant and equipment	2,753,912	13,531				13,531	2,767,443
Heritage assets	635,802					0	635,802
Investment properties	474,953	1,176				1,176	476,130
Intangible non-current assets	260			4,249		4,249	4,509
Long-term investment in joint venture / subsidiaries and associates	631,829				3,673	3,673	635,502
Other long-term investments	12,403					0	12,403
Long-term debtors	430,976		(750)			(750)	430,226
Total non-current assets	4,940,135	14,707	(750)	4,249	3,673	21,879	4,962,015
Current assets							
Inventories	583					0	583
Short-term debtors	245,143	(31,630)	(750)			(32,380)	212,762
Cash and cash equivalents	52,898	5,741				5,741	58,639
Short-term assets held for sale	10,339	(4,000)				(4,000)	6,339
Total current assets	308,963	(29,889)	(750)	0	0	(30,639)	278,323

Total assets	5,249,098	(15,182)	(1,500)	4,249	3,673	(8,760)	5,240,338
Current liabilities							
Short-term borrowing	(184,675)					0	(184,675)
Short-term creditors	(268,682)	25,889	1,500			27,389	(241,293)
Short-term provisions	(19,993)					0	(19,993)
Short-term deferred liabilities	(12,143)					0	(12,143)
Total current liabilities	(485,493)	25,889	1,500	0	0	27,389	(458,103)
Total assets less current liabilities	4,763,605	10,707	0	4,249	3,673	18,629	4,782,235
Long-term liabilities							
Long-term creditors	(1,026)					0	(1,026)
Long-term provisions	(110,306)					0	(110,306)
Long-term borrowing	(578,556)					0	(578,556)
Long-term deferred liabilities	(145,762)					0	(145,762)
Capital grants receipts in advance	(9,420)					0	(9,420)
Pensions liability	(973,598)	24,142				24,142	(949,456)
Total long-term liabilities	(1,818,668)	24,142	0	0	0	24,142	(1,794,527)
Net assets	2,944,937	34,849	0	4,249	3,673	42,771	2,987,709
Financed by:							
Usable reserves	(911,537)					0	(911,537)
Unusable reserves	(1,528,244)	(34,849)				(34,849)	(1,563,094)
Group income and expenditure reserve	(505,157)			(4,249)	(3,673)	(7,922)	(513,079)
Total reserves	(2,944,938)	(34,849)	0	(4,249)	(3,673)	(42,771)	(2,987,709)

Single entity CIES

Appendix 1

CIES 2020/21	Draft accounts £000	Summary of adjustments					Revised CIES £000
		Paragraph number 2.13 Depreciation £000	2.15, 2.22 Downward valuations £000	2.15 Valuations that increased revaluation reserve £000	2.29 Revised IAS19 report £000	2.24 Total amendments £000	
Net expenditure							
Continuing operations							
Adults Social Care	202,912	9	4			13	202,925
Homelessness	16,864					0	16,864
Children's Services	154,328	60	6			66	154,394
Corporate Core	84,245	1				1	84,246
Neighbourhoods and Highways	98,609	198	20,287			20,485	119,094
Growth and Development	40,690	32	26			58	40,748
Corporate Items	(3,629)		1			1	(3,628)
Council - Wide Costs	4,774		1			1	4,775
Housing Revenue Account	(15,978)	1				1	(15,977)
Net cost of services	582,816	302	20,325	0	0	20,626	603,441
Other operating expenditure							
Gains (Losses) on disposal of non-current assets	(10,483)					0	(10,483)
Levies	69,166					0	69,166
Payments to government housing capital receipts pool	2,566					0	2,566
Total other operating expenditure	61,249	0	0	0	0	0	61,249

Financing and investment income and expenditure	(4,080)		(1,176)		(1,176)	(5,257)
Taxation and non-specific grant income and expenditure	(693,774)				0	(693,774)
(Surplus) or Deficit on provision of services	(53,789)	302	19,149	0	0	19,450
Items that will not be subsequently classified in the Deficit of Provision of Services						
(Surplus) on revaluation of property, plant and equipment assets	(121,671)		1,408	(31,563)	(30,155)	(151,826)
Impairment losses on non-current assets charged to the	7,996				0	7,996
Re-measurements of the net defined benefit liability	321,765			(24,142)	(24,142)	297,623
Items that will be subsequently classified in Surplus of Provision of Services						
Surplus or deficit on financial assets measured at fair value	2,733				0	2,733
Total other comprehensive income and expenditure	210,823	0	1,408	(31,563)	(24,142)	(54,297)
Total comprehensive income and expenditure	157,034	302	20,557	(31,563)	(24,142)	(34,847)

Draft accounts £000	Summary of adjustments :							Revised CIES £000	
	Paragraph number	2.41	Impairment of financial assets £000	Correction of additions £000	2.44 Goodwill amortisation £000	2.44 Reinstatement of goodwill £000	2.45 Reinstatement of investments £000		2.48 Total amendments £000
202,912		13						13	202,925
16,864		0						0	16,864
154,328		66						66	154,394
84,245		1						1	84,246
98,609		20,485						20,485	119,094
40,690		58						58	40,748
(3,629)		1						1	(3,628)
4,774		1						1	4,775
(15,978)		1						1	(15,977)
833		0			(556)			(556)	277
583,648		20,626	0	0	(556)	0	0	20,070	603,718
(10,483)		0						0	(10,483)
69,166		0						0	69,166
2,566		0						0	2,566
61,249		0	0	0	0	0	0	0	61,249
(3,611)		(1,176)	228					(948)	(4,560)
(693,774)		0						0	(693,774)
(52,488)		19,450	228	0	(556)	0	0	19,122	(33,369)
189,581		0						0	189,581
201		0						0	201
15,052		0						0	15,052

152,346	19,450	228	0	(556)	0	0	19,122	171,466
(121,671)	(30,155)						(30,155)	(151,827)
7,996	0						0	7,996
321,765	(24,142)						(24,142)	297,623
50,763	0	(228)	2,733	556	(4,249)	(3,673)	(4,863)	45,901
2,733	0						0	2,734
2,733			(2,733)				(2,733)	0
264,319	(54,297)	(228)	2,733	556	(4,249)	(3,673)	(61,893)	202,427
416,665	(34,847)	0	2,733	0	(4,249)	(3,673)	(42,771)	373,894



Annual Statement of Accounts 2020/21

Manchester City Council Annual Statement of Accounts 2020/21

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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 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

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.

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, Neighbourhoods, Growth and Development and the Corporate Core.

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

have met the Code's standards, and describes the progress made throughout the year in addressing our key governance challenges.

Our 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.



Our Manchester

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 Corporate Plan for 2021–22

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 CO₂ by 2025, reducing citywide CO₂, 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.



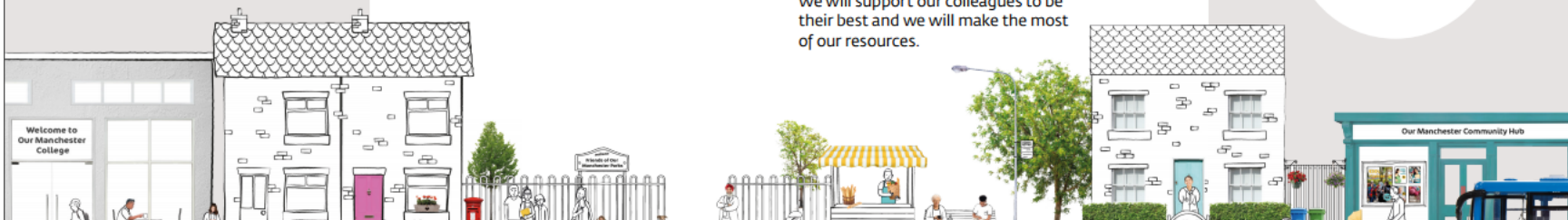
Our Manchester behaviours

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 population², 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

² 2019/20 Annual Population Survey, ONS

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 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 and 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 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.

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.

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- 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.

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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 2020/21

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	541.6
Other Service Expenses	898.9
Business Rates Tariff	39.5
Capital Charges including Depreciation and impairment	157.2
Interest Payments	34.7
Pensions Interest Costs	80.9
Precepts and Levies	69.2
Payments to Housing Capital Receipts Pool	2.6
Total Expenditure	1,824.6
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	(52.7)
Income from Council Tax	(172.5)
Business Rates Income	(161.5)
Government Grants and Contributions	(1,133.6)
Gain on Disposal of Fixed Assets	(10.5)
Total Income	(1,858.9)
(Surplus) on the Provision of Services	(34.3)

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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:

Capital Funding and Spending	2020 / 21 £m
Capital Funding	
Government Grants	63.3
External Contributions	35.5
Revenue Contributions by the Council	18.8
Borrowing	180.8
Capital Receipts	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	72.0
ICT	3.5
Town Hall refurbishment	30.0
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 emissions⁴ in 2020/21 (25,429 tonnes CO₂) were 18% below the annual budget for 2020/21 (31,080 tonnes CO₂). Total Council emissions in 2019/20 (32,284 tonnes CO₂) were 10% below the annual budget for 2019/20 (35,724 tonnes CO₂)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, down 90%. 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 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. 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 an 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	1,462.1	666.1	871.2
Resources Required			
<i>Corporate Costs:</i>			
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
<i>Sub Total Corporate Costs</i>	<i>105.0</i>	<i>105.0</i>	<i>243.4</i>
<i>Directorate Costs:</i>			
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	1,335.2	539.2	613.8
<i>Subtotal Directorate Costs</i>	<i>1,357.1</i>	<i>561.1</i>	<i>627.8</i>
Total Resources Required	1,462.1	666.1	871.2
Shortfall / (surplus)	0.0	0.0	0.0

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	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

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

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.

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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.

	Revised Budget £m	Outturn £m	Total Variance £m
Total Available Resources	(871.1)	(859.5)	11.6
Total Corporate Budgets	257.4	253.6	(3.8)
Children's Services	135.7	133.9	(1.8)
Adult Social Care	235.2	239.3	4.1
Homelessness	17.8	25.2	7.4
Corporate Core	97.5	101.8	4.2
Neighbourhoods	114.7	127.9	13.2
Growth and Development	12.8	16.0	3.1
Total Directorate Budgets	614.0	644.0	30.3
Total Use of Resources	871.0	898.0	26.5
Total over / (under) spend	0.0	38.1	38.1
COVID 19 Government grant income (tranche 1 to 4)			(64.8)
COVID-19 Sales Fees and Charges grant Income			(12.4)
Reprofile the use of reserves			35.2
Net over / (under) spend			(3.9)

Memo: Breakdown of Variance		
COVID £m	Other over / underspend £m	Total Variance £m
14.9	(3.3)	11.6
0.0	(3.8)	(3.8)
1.0	(2.8)	(1.8)
8.3	(4.2)	4.1
5.2	2.3	7.4
5.6	(1.4)	4.2
16.2	(3.0)	13.2
4.8	(1.7)	3.1
41.0	(10.7)	30.3
41.0	(14.6)	26.5
55.9	(17.8)	38.1
(64.8)		(64.8)
(12.4)		(12.4)
35.2		35.2
(13.9)	(17.8)	(3.9)

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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)

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Total	373.3	335.7	(37.6)
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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

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	The Council Acting as Principal			The Council Acting as Agent	Total Grants £m
	Expenditure as at 31 March 2021 £m	Grant remaining as at 31 March 2021 £m	Total Grant £m		
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

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	The Council Acting as Principal			The Council Acting as Agent	Total Grant £m
	Expenditure as at 31 March 2021 £m	Grant remaining as at 31 March 2021 £m	Total Principal £m	Total Agency £m	
Credited to services:					
Infection Control	1.7	0.0	1.7	4.5	6.1
Workforce Capacity Fund	1.2	0.0	1.2	0.0	1.2
Rapid Testing Fund	0.8	0.0	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

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Domestic Violence	0.1	0.0	0.1	0.0	0.1
Local Welfare Assistance Fund	1.0	0.0	1.0	0.0	1.0
Clinically Extremely Vulnerable	0.0	1.6	1.6	0.0	1.6
Winter Grant Scheme / Easter Hardship Fund	3.5	0.0	3.5	0.0	3.5
Next Step Accommodation Grant	2.0	0.0	2.0	0.0	2.0
Emergency Support for Rough Sleepers	0.1	0.0	0.1	0.0	0.1
Test and Trace Support Payments Grant	0.2	1.0	1.2	0.8	2.0
Reopening High Streets Safely Fund	0.2	0.0	0.2	0.0	0.2

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Support to business:					
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	178.7	209.2	193.2	402.5
Total all grants	90.0	197.9	287.8	193.2	481.1

The accounting treatment of these grants is varied. The principal elements of £287.8m are included within note 16 (£227.1m) and note 17 (£60.7m). The amounts carried forward £197.9m 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 Council's 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
<p>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.</p>	<p>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.</p> <p>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</p>

	programmes across all aspects of the Council
<p>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.</p>	<p>Administration and promotion of discretionary schemes and other support for businesses and lobbying 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.</p> <p>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.</p>
<p>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</p>	<p>Climate Change Action Plan 2020-25 which plans 50% reduction in use of carbon budget over 5 years, with regular reporting to the Executive.</p> <p>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.</p>
<p>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</p>	<p>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</p>

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<p>outcomes for Manchester residents.</p>	<p>Integrated Care Partnerships and supporting governance and infrastructure arrangements.</p> <p>Work underway to establish future Council support role for future MLCO infrastructure.</p>
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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

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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.

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

- c. Comparable: In complying with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 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.

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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 are recognised in the accounts in the period in which it is earned or incurred not as the cash is received or paid.

Going Concern

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

Primacy of Legislation Requirements

- In accordance with the Code, where an accounting treatment is prescribed by law then it has been applied, even if it contradicts accounting standards. The following is

an example of legislative accounting requirements having been applied when compiling these accounts

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

The Financial Statements: Purpose and Summary

The annual statement of accounts has been prepared in accordance with the 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

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

The intended adoption of IFRS16 Leases for the 2020/21 accounts has been deferred. IFRS16 is being introduced for local authorities from 1 April 2024 which means that the annual accounts for 2024/25 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 more than 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.

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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

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provided in note 11 showing a subjective analysis of the surplus 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 £603.441m.

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 expenditure totalling £2.335m)
- general income due to the Council from Council taxpayers, National Non-Domestic ratepayers (NNDR) and general government grants £693.774m).

These three sections are totalled to produce an overall accounting surplus on the provision of services of £34.341m.

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.

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	General Fund £m	HRA £m	Total £m
Over / (Under)spend	(5.5)	(20.4)	(25.8)
Budgeted transfer (to) / from general reserves	1.6	18.6	20.2
Net transfer (to) / from general reserves	(3.9)	(1.7)	(5.6)
Transfers (to) / from earmarked reserves	(220.7)	0.0	(220.7)
Other income and expenditure classification	36.8	(36.8)	0.0
Notional accounting adjustments	169.5	22.5	192.0
(Surplus) per CIES	(18.3)	(16.0)	(34.3)

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 2019 to 31 March 2021.

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

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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 £m	31 March 2021 £m
Capital (cannot 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 £18.1m and airport dividend reserve of £50m	117.8	128.2
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)	16.0	21.5
Total usable reserves	698.9	911.5
Amounts relating to the carry forward of COVID-19 related Funding	(18.2)	(197.7)
Total excluding COVID-19 carry forwards	680.7	713.8

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 £148.5m. In addition, the government has 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

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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 £25.3m.

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	1,397.9
Financial Instruments Revaluation Reserve	13.0	10.3
Pensions Reserve	(689.6)	(1,035.9)
Capital Adjustment Account	1 296.4	1,377.8
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)
	(4.3)	(2.3)
Dedicated Schools Grant Reserve		
	1,898.0	1,563.1

The negative pension reserve of £1,035.9m has increased by £346.3m from the previous year.

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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 £129.8m during 2020/21, made up of a reduction in unusable reserves £346.7m (re-stated £346.7m and an increase in usable reserves (£216.9m).

The total decrease in unusable reserves of £334.9m is mainly due to:

- £124.8m 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.
- £81.4m 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

- £346.3m increase 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 £216.9m is mainly due to:

- £179.5m 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.
- £10.7m 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 un-ringfenced reserve available
- £18.3m decrease in reserves held for capital purposes

The decrease in the net worth is matched by a decrease in value of net assets of the Council of £122.2m.

Manchester City Council Annual Statement of Accounts 2020/21

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	763,231
Other Property and Equipment	2,123,991	Provisions for Future Liabilities	286,710
Heritage Assets	635,802	Liability for Pension Scheme	949,456
Investment Properties	468,538	Capital Grants Received in Advance	9,420
Other Assets	54,404	Money owed by the Council	235,893
Investments	151,367		
Money owed to the Council	660,043		
Total	4,719,341	Total	2,244,710
		Net Worth of the Council	2,474,631

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The net worth of the Council is £2,467,039m. This is split between usable reserves of £911.537m and unusable reserves of £1,555,502m.

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 £84.7m 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

Manchester City Council Annual Statement of Accounts 2020/21

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.

Manchester City Council Annual Statement of Accounts 2020/21

Group Position			
Assets	£000	Liabilities	£000
Council Dwellings	623,195	Borrowing	763,231
Other Property and Equipment	2,143,109	Provisions for Future Liabilities	288,203
Heritage Assets	635,802	Liability for Pension Scheme	949,456
Investment Properties	468,538	Capital Grants Received in Advance	9,420
Other Assets	78,801	Money owed by the Council	242,319
Investments	647,905		
Money owed to the Council	642,988		
Total	5,240,388	Total	2,252,629
	Net Worth of the Council's Group		2,987,709

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

Manchester City Council Annual Statement of Accounts 2020/21

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

Manchester City Council Annual Statement of Accounts 2020/21

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 2020/21 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 COVID19 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 Council's Shareholding in Manchester Airport Car Park Limited is valued at £5.7m.

Private Finance Initiatives (PFI)

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

Manchester City Council Annual Statement of Accounts 2020/21

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.

Manchester City Council Annual Statement of Accounts 2020/21

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

Manchester City Council Annual Statement of Accounts 2020/21

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
26 July 2022

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 financial statements section of the narrative report.

Restated 2019/20 Gross Expenditure £000s	Restated 2019/20 Gross Income £000's	Restated 2019/20 Net Expenditure £'000's		Notes	2020/21 Gross Expenditure £000's	2020/21 Gross Income £000's	2020/21 Net Expenditure £000's
			Continuing operations				
272,674	(60,059)	212,615	Adults Social Care		284,455	(81,530)	202,925
36,318	(24,491)	11,827	Homelessness		48,438	(31,574)	16,864
567,681	(386,914)	180,767	Children's Services		553,971	(399,577)	154,394
332,904	(248,094)	84,810	Corporate Core		328,269	(244,023)	84,246
173,851	(54,805)	119,046	Neighbourhoods and Highways		178,980	(59,886)	119,094
86,058	(40,096)	45,962	Growth and Development		80,926	(40,178)	40,748
5,492	(11,152)	(5,660)	Corporate Items	1	7,001	(10,629)	(3,628)
7,729	0	7,729	Council - Wide Costs	2	4,775	0	4,775
64,537	(85,088)	(20,551)	Housing Revenue Account		70,459	(86,436)	(15,977)
1,547,244	(910,699)	636,545	Net cost of services		1,557,274	(953,833)	603,441
			Other operating expenditure				
52,586	(7,129)	45,457	Gains (Losses) 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	40a(1)	2,566	0	2,566
123,826	(7,129)	116,697	Total other operating expenditure		71,732	(10,483)	61,249

Manchester City Council Annual Statement of Accounts 2020/21

Restated 2019/20 Gross Expenditure £000s	Restated 2019/20 Gross Income £000's	Restated 2019/20 Net Expenditure £'000's		Notes	2020/21 Gross Expenditure £000's	2020/21 Gross Income £000's	2020/21 Net Expenditure £000's
166,943	(246,068)	(79,125)	Financing and investment income and expenditure	15	154,828	(160,085)	(5,257)
44,150	(712,691)	(668,541)	Taxation and non-specific grant income and expenditure	16	40,757	(734,531)	(693,774)
1,882,163	(1,876,587)	5,576	(Surplus) or Deficit on provision of services		1,824,591	(1,858,932)	(34,341)
			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			(151,827)
		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	43			297,623
			Items that will be subsequently classified in (Surplus) / Deficit of Provision of Services				
		980	Deficit from investments in equity instruments designated at fair value through other comprehensive income	41b			2,734
		(398,747)	Total other comprehensive income and expenditure				156,525
		(393,171)	Total comprehensive income and expenditure				122,184

Carol Culley
Deputy Chief Executive and City Treasurer
26 July 2022

Manchester City Council Annual Statement of Accounts 2020/21

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 financial year.

31 March 2020 £000's		Note	31 March 2021 £000's
	Non-current assets		
2,528,643	Property, plant and equipment	21	2,739,594
604,821	Heritage assets	24	635,802
475,227	Investment properties	30	476,130
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		4,449,786
	Current assets		
20,098	Short-term investments	33	0
505	Inventories and long-term contracts		541
170,855	Short-term debtors	34	213,410
133,984	Cash and cash equivalents	48	49,265
9,474	Short-term assets held for sale	26	6,339
334,916	Total current assets		269,555
4,403,649	Total assets		4,719,341
	Current liabilities		
(32,904)	Short-term borrowing	39	(184,675)
(216,596)	Short-term creditors	35	(234,867)
(31,570)	Short-term provisions	38	(19,992)
(11,453)	Short-term deferred liabilities	37	(12,143)
(292,523)	Total current liabilities		(451,677)
4,111,126	Total assets less current liabilities		4,267,664
	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	(578,556)
(155,196)	Long-term deferred liabilities	37	(144,269)
(9,743)	Capital grants receipts in advance	35	(9,420)
(689,573)	Pensions liability	43	(949,456)
(1,514,311)	Total long-term liabilities		(1,793,033)
2,596,815	Net assets		2,474,631
	Financed by:		
(694,571)	Usable reserves	40	(911,537)
(1,902,244)	Unusable reserves	41	(1,563,094)
(2,596,815)	Total reserves		(2,474,631)

Carol Culley
Deputy Chief Executive and City Treasurer
26 July 2022

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 surplus on the Provision of Services 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 dwelling rent setting purposes.

	Note	General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Major Repairs Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000
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	(26,372)	(7,968)	0	0	0	(34,341)	156,525	122,184

Manchester City Council Annual Statement of Accounts 2020/21

	Note	General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Major Repairs Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000
Adjustments between accounting basis and funding basis under regulations	4b and 12	(193,893)	6,247	2,893	10,050	(3,642)	(178,344)	178,344	0
(Increase) or decrease in year		(220,265)	(1,721)	2,893	10,050	(3,642)	(212,685)	334,869	122,814
Balance at 31 March 2021		(606,341)	(111,166)	(93,956)	(94,005)	(6,069)	(911,537)	(1,563,094)	(2,474,631)

Cash Flow Statement

The Cash Flow Statement shows the reason for changes in the Councils 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) / surplus on the provision of services		34,341
246,318	Adjustments to net (deficit) / surplus on the provision of services for non-cash movements	49	89,929
(144,477)	Adjustments for items included in the net (deficit) / surplus on the provision of services that are investing and financing activities	50	(97,015)
96,265	Net cash flows from operating activities		27,255
(86,845)	Investing activities	52	(243,452)
20,087	Financing Activities	53	131,478
29,507	Net increase or (decrease) in cash and cash equivalents		(84,719)
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	49,265

Manchester City Council Annual Statement of Accounts 2020/21

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Manchester City Council Annual Statement of Accounts 2020/21

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
Total Expenditure	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)
Total Income	(11,152)	(10,629)
Total Corporate Items	(5,660)	(3,628)

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	4,775

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.

Manchester City Council Annual Statement of Accounts 2020/21

Note 3. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows for each of the Councils 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 £000's	Adjustments to arrive at net amount chargeable to the general fund and HRA balances £000's Note 4a	Net expenditure chargeable to the general fund and HRA balances £000's	Adjustments between funding and accounting basis £000's Note 4b	Net expenditure in the Comprehensive Income and Expenditure Statement £000's		As reported to Members £'000's	Adjustments to arrive at net amount chargeable to the general fund and HRA balances £000's Note 4a	Net expenditure chargeable to the general fund and HRA balances £000's	Adjustments between funding and accounting basis £000's Note 4b	Net expenditure in the Comprehensive Income and Expenditure Statement £000's
205,222	(1,091)	204,131	8,484	212,615	Adult Social Care	239,298	(43,507)	195,791	7,134	202,925
14,235	(3,828)	10,407	1,420	11,827	Homelessness Children's Services	25,200	(9,471)	15,729	1,135	16,864
122,491	19,696	142,187	38,580	180,767	Corporate Core Neighbourhoods and Highways Growth and Development	133,911	(13,442)	120,469	33,925	154,394
66,814	3,186	70,000	14,810	84,810	Corporate Items Council-Wide Costs	102,029	(30,613)	71,416	12,830	84,246
94,884	(21,556)	73,328	45,718	119,046	Housing Revenue Account	127,646	(64,202)	63,444	55,650	119,094
7,826	14,964	22,790	23,172	45,962	Net Cost of Services	15,693	9,924	25,617	15,131	40,748
5,294	(10,958)	(5,664)	4	(5,660)	Other Income and Expenditure	7,685	(3,152)	4,533	(8,161)	(3,628)
0	(547)	(547)	8,276	7,729		0	0	0	4,775	4,775
(4,993)	(5,068)	(10,061)	(10,490)	(20,551)		(1,723)	(8,008)	(9,731)	(6,246)	(15,977)
511,773	(4,655)	506,571	129,974	636,545		649,741	(162,471)	487,270	116,173	603,441
(516,074)	(23,500)	(539,574)	(91,395)	(630,969)		(655,317)	(53,939)	(709,256)	71,474	(637,782)

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Appendix 2, Item 5

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2019/20					2020/21					
As reported to Members £000's	Adjustments to arrive at net amount chargeable to the general fund and HRA balances £000's Note 4a	Net expenditure chargeable to the general fund and HRA balances £000's	Adjustments between funding and accounting basis £000's Note 4b	Net expenditure in the Comprehensive Income and Expenditure Statement £000's		As reported to Members £'000's	Adjustments to arrive at net amount chargeable to the general fund and HRA balances £000's Note 4a	Net expenditure chargeable to the general fund and HRA balances £000's	Adjustments between funding and accounting basis £000's Note 4b	Net expenditure in the Comprehensive Income and Expenditure Statement £000's
(4,301)	(28,155)	(33,003)	38,579	5,576	Deficit / (surplus) on Provision of Services	(5,576)	(216,410)	(221,986)	187,644	(34,431)
Opening General Fund and HRA Reserves at 1 April		458,237				Opening General Fund and HRA reserves at 1 April		495,521		
Surplus on General Fund and HRA Reserves in year		33,003				Surplus on General Fund and HRA Reserves in year		221,986		
Closing General Fund and HRA Reserves at 31 March		491,240				General Fund Closing and HRA Balance at 31 March		717,507		

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2019/20					2020/21					
As reported to Members £000's	Adjustments to arrive at net amount chargeable to the general fund and HRA balances £000's Note 4a	Net expenditure chargeable to the general fund and HRA balances £000's	Adjustments between funding and accounting basis £000's Note 4b	Net expenditure in the Comprehensive Income and Expenditure Statement £000's		As reported to Members £'000's	Adjustments to arrive at net amount chargeable to the general fund and HRA balances £000's Note 4a	Net expenditure chargeable to the general fund and HRA balances £000's	Adjustments between funding and accounting basis £000's Note 4b	Net expenditure in the Comprehensive Income and Expenditure Statement £000's
Add new statutory accounting practices in relation to the treatment of local authorities' schools budget deficits		4,281								
Restated Closing General Fund and HRA Reserves at 31 March		495,521								

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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, expected credit losses), 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 12.

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

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Note 4. Note to the Expenditure and Funding Analysis

a) Adjustments to arrive at net amount chargeable to the general fund and HRA balances

	Adjustments relating to other income and expenditure (i) £'000's	Adjustments relating to transfers to / from reserves (ii) £'000's	Adjustments relating to internal recharges (iii) £'000's	Restated Total Adjustments £'000's
2019/20				
Adults Social Care	(315)	1,805	(2,581)	(1,091)
Homelessness	0	183	(4,011)	(3,828)
Children's Services	2,022	17,629	45	19,696
Corporate Core	(3,734)	98	6,822	3,186
Neighbourhoods and Highways	(24,766)	7,002	(3,792)	(21,556)
Growth and Development	13,753	927	284	14,964
Corporate Items	(10,191)	(998)	231	(10,958)
Council-Wide	(547)	0	0	(547)
Housing Revenue Account	(5,068)	0	0	(5,068)
Net Cost of Services	(28,846)	26,646	(3,002)	(5,202)
Other Income and Expenditure from the Expenditure and Funding Analysis	28,846	(55,348)	3,002	(23,500)
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)

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	Adjustments relating to other income and expenditure (i) £'000's	Adjustments relating to transfers to / from reserves (ii) £'000's	Adjustments relating to internal recharges (iii) £'000's	Adjustments relating to COVID grants (iv) £000's	Total Adjustments £'000's
2020/21					
Adults Social Care	(2,158)	(25,799)	(1,153)	(14,397)	(43,507)
Homelessness	(1,094)	22	(6,330)	(2,068)	(9,471)
Children's Services	414	(9,647)	(730)	(3,479)	(13,442)
Corporate Core	(2,579)	(12,128)	8,727	(24,633)	(30,613)
Neighbourhoods and Highways	(29,249)	(14,249)	(2,048)	(18,656)	(64,202)
Growth and Development	9,935	1,479	1,292	(2,783)	9,924
Corporate Items	(4,127)	525	451	0	(3,152)
Housing Revenue Account	(8,008)	0	0	0	(8,008)
Net Cost of Services	(36,866)	(59,798)	209	(66,017)	(162,471)
Other Income and Expenditure from the Expenditure and Funding Analysis	36,866	(156,612)	(209)	66,017	(53,939)
Difference between General Fund and HRA Surplus and Comprehensive Income and Expenditure Statement Surplus on the Provision of Services	0	(216,410)	0	0	(216,410)

- (i) Adjustments relating to other income and 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.

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- (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.
- (iv) COVID grants were provided by Government in 2020/21 in response to the COVID 19 pandemic. This reflects service specific COVID grants recorded corporately in the outturn report and shown within the service area in the CIES.

b) Adjustments between Funding and Accounting Basis

2019/20	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)

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	Adjustments for Capital Purposes (i) £000	Pension Adjustments (ii) £000	Collection Fund Adjustments (iii) £000	Other Adjustments (iv) £000	Restated Total Adjustments £000
2019/20					
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	38,578

	Adjustments for Capital Purposes (i) £000	Pension Adjustments (ii) £000	Collection Fund Adjustments (iii) £000	Other Adjustments (iv) £000	Total Adjustments £000
2020/21					
Adults Social Care	1,564	5,567	0	1	7,134
Homelessness	0	1,131	0	4	1,135
Children's Services	16,989	15,643	0	1,293	33,925
Corporate Core	4,760	7,976	0	94	12,830
Neighbourhoods and Highways	50,122	5,516	0	13	55,651
Growth and Development	12,646	2,611	0	(126)	15,131
Corporate Items	(354)	(7,434)	0	(373)	(8,161)
Council-Wide Costs	4,100	675	0	0	4,775
Housing Revenue Account	(6,576)	330	0	0	(6,246)
Net Cost of Services	83,252	32,016	0	907	116,173
Other Income and Expenditure from the Expenditure and Funding Analysis	(140,567)	16,673	192,802	2,566	71,474

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2020/21	Adjustments for Capital Purposes (i) £000	Pension Adjustments (ii) £000	Collection Fund Adjustments (iii) £000	Other Adjustments (iv) £000	Total Adjustments £000
Difference between General Fund and HRA Surplus and Comprehensive Income and Expenditure Statement Deficit on the Provision of Services	(57,316)	48,689	192,802	3,473	187,644

- (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.

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Note 5. Prior Period Restatement

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

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.

(a) 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 show how the net expenditure, gross expenditure and gross income have been restated.

	As reported in the 2019/20 CIES £000	Transfer of services between directorates £000	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 expenditure	(668,541)	0	0	(668,541)
Total	(111,121)	0	0	(111,121)

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	As reported in the 2019/20 CIES £000	Transfer of services between directorates £000	Impairment of financial assets in accordance with IFRS9 £000	As restated 2019/20 £000
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 expenditure	44,150	0	0	44,150
Total	1,758,337	0	0	1,758,337

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	As reported in the 2019/20 CIES £000	Transfer of services between directorates £000	Impairment of financial assets in accordance with IFRS9 £000	As restated 2019/20 £000
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 Growth and Development	(52,433)	(2,372)	0	(54,805)
Corporate Items	(42,468)	2,372	0	(40,096)
Housing Revenue Account	(11,152)	0	0	(11,152)
	(85,088)	0	0	(85,088)
Total Net Cost of Services Gross Expenditure	(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 expenditure	(712,691)	0	0	(712,691)
Total	(1,869,458)	0	0	(1,869,458)

Group Accounts

These amendments have also been reflected in the Group Accounts.

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

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

The Code of Practice on Local Authority Accounting 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 change 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.

Note 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

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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. The Council has based its considerations of Going Concern around the continuous provision of service.

The Council consolidates its investments in MAHL and DML in its Group financial statements. In considering the going concern of the Group the Council has taken into account the going concern of these two entities. While the Council notes that MAHL disclose a material uncertainty on going concern in their latest financial statements the Council is satisfied that this is not a material uncertainty that will impact on the Council and the Group. In reaching this conclusion the Council has considered the financial position of the Council, including the impact on the General Fund and the Group.

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 required by CIPFA

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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.

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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.

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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.

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- 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

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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

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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.

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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.

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7.2.12 Accruals of Income and Expenditure

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

Revenue from 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.

An impairment loss allowance 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

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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.

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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 treatments 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.

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.

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Finance LeasesLessee

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 LeasesLessee

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

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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.

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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

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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.

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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.

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.

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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.

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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.

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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

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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.

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

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

Note 8. Critical Accounting Judgements

In applying the accounting policies set out in note 7 the Council has to make certain judgements about complex 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

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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 £468.538m (£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.

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- 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 and were revalued by Capita. 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. 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.

8.5 Valuation of Heritage Assets

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.

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 Pooled Budgets

The Pooled Budget arrangements commenced on 1 April 2015. The accounting arrangements for the Pool 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 Pool should be accounted for as a joint operation and as a result account for its share of the fund's assets, liabilities, expenditure and income.

8.8 Lender Option Borrower Option (LOBO) loans

The Council has £314.750m of LOBO loans. These loans contain options which allow, on specific dates, the lender to alter the interest rate on the loan, and the Council then has the option to decide to either accept the new rate or repay the loan without penalty. These loans have a fixed rate of interest, but the options mean it

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could change over the life of the loan. This means that there cannot be any certainty as to whether the loan will be paid early, and therefore the Council has treated these loans as fixed loans which will run to their existing maturity.

8.9 Composition of the Council's Group

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

Note 9. Key Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 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.

The total PPE carrying value of £2,740m includes the following categories of assets that are subject to revaluation: operational land and buildings, council dwellings and surplus assets. If these assets had a revaluation increase of 1% the carrying value would rise by £18.94m.

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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 £8.05m for every year the useful lives are reduced.

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

Percentages have been provided, based on 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 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%).

9.5 Arrears

At 31 March 2021 the Council had a balance of short-term debtors of £392.353m. This included sundry debtors of £254.426m (including housing benefit overpayments), housing rent debtors of £8.450m, council tax debtors of £72.993m and business rates

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debtors of £56.637m. A review of these outstanding balances suggests that an increased impairment of doubtful debts of £178.941m (£71.709m sundry debtors, £6.663m housing rents, £55.119m council tax and £45.450m business rates) was appropriate.

However, in the current economic climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate by 1% an additional £2.457m (£0.948m sundry debtors, £0.886m council tax and £0.623m business rates) to be set aside.

9.6 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 0.1% decrease in the real discount rate assumption would result in an increase in the pension liability of £81.812m, a 1 year increase in life expectancy being £178.685m, a 0.1% increase in the salary increase rate would result in a £7.711m increase in the pension liability and a 0.1% increase in the assumed pension rate increase would result in a £73.176m increase in the pension liability.

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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 £67,402,000 (£42,030,000 in 2019/20) has been included within the surplus / deficit on provision of services:

Significant items warranting additional disclosure	2019/20 £000s	2020/21 £000s
Adults Social Care	174	36
Children's Services	3,507	1,768
Corporate Core	0	450
Neighbourhoods and Highways	3,438	23,391
Growth and Development	431	11,800
Council Wide Costs	1,230	3,394
Housing Revenue Account	5,149	674
Investment properties	28,101	25,889
Total	42,030	67,402

Note 11. Expenditure and Income Analysis

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

Expenditure and Income Analysis	2019/20 £000	2020/21 £000
Expenditure		
Employee Benefit Expenses	543,083	541,625
Other Service Expenses	890,110	898,907
Business Rates Tariff	40,398	39,534
Capital Charges including Depreciation and impairment (a)	150,229	157,145
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	1,824,591
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)	(52,652)

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Expenditure and Income Analysis	2019/20 £000	2020/21 £000
Income from Council Tax	(161,477)	(175,479)
Business Rates Income	(330,268)	(158,618)
Government Grants and Contributions	(777,399)	(1,133,622)
Gain on Disposal of Fixed Assets	(7,129)	(10,483)
Total Income	(1,876,587)	(1,858,932)
Deficit /(Surplus) on the Provision of Services	5,576	(34,341)

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

	2019/20 £000	2020/21 £000
Adults Social Care	1,316	1,565
Children's Services	17,656	17,290
Corporate Core	4,205	5,297
Neighbourhoods and Highways	46,663	57,882
Growth and Development	27,080	24,889
Council Wide Costs	30,005	29,888
HRA	23,304	20,234
Total Capital Charges including Depreciation and Impairment	150,229	157,145

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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 £000's					Total Usable Reserves	Unusable Reserves £000's
	General Fund Reserves	Housing Revenue Account Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve		
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
Reversal of items relating to retirement benefits debited or credited to CIES	(130,159)	(301)	0	0	0	(130,460)	130,460
Employers pension contributions and direct payments to pensioners payable in year	57,856	134	0	0	0	57,990	(57,990)
Private finance initiative charges to the HRA	0	8,570	0	0	0	8,570	(8,570)

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	Usable Reserves £000's					Total Usable Reserves	Unusable Reserves £000's
	General Fund Reserves	Housing Revenue Account Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve		Total Unusable Reserves
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

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The table below shows the adjustments made in 2020/21:

	Usable Reserves 000's					Total Usable Reserves	Unusable Reserves 000's
	General Fund Reserves	Housing Revenue Account Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve		
Reversal of items debited or credited to the comprehensive income and expenditure statement:							
Depreciation	(57,954)	0	0	0	(19,558)	(77,512)	77,512
Amortisation of intangible assets	(64)	0	0	0	0	(64)	64
Impairment / revaluation losses charged to the comprehensive income and expenditure statement	(40,839)	(674)	0	0	0	(41,513)	41,513
Movement in fair value of investment property	13,878	0	0	0	0	13,878	(13,878)
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	23,411	0	98,831	(98,831)
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)
Reversal of items relating to retirement benefits debited or credited to the CIES	(103,552)	(704)	0	0	0	(104,256)	104,256
Employer's pension contributions and direct payments to pensioners payable in year	55,193	375	0	0	0	55,568	(55,568)
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	(1,049)	0	0	0	0	(1,049)	1,049

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	Usable Reserves 000's					Total Usable Reserves	Unusable Reserves 000's
	General Fund Reserves	Housing Revenue Account Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve		Total Unusable Reserves
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 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	(903)	0	0	0	0	(903)	903
Reclassification of Dedicated School Grant (DSG)	2,024	0	0	0	0	2,024	(2,024)
Total adjustments	(193,893)	6,246	2,893	10,051	(3,642)	(178,344)	178,344

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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	Liability Repayment £000	Lifecycle Costs £000	Interest Charges £000	Service Charges* £000	Total £000	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
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			

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Scheme	Liability Repayment £000	Lifecycle Costs £000	Interest Charges £000	Service Charges* £000	Total £000	Indexation	Contract Expiry	Scheme Details
Payments within 11 to 15 years	3,660	1,459	604	7,082	12,805			2003/04. Total obligation as at start of contract of £145,785,000 to be met from PFI Grant and the Housing Revenue Account.
	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 -

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Scheme	Liability Repayment £000	Lifecycle Costs £000	Interest Charges £000	Service Charges* £000	Total £000	Indexation	Contract Expiry	Scheme Details
								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
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			

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Scheme	Liability Repayment £000	Lifecycle Costs £000	Interest Charges £000	Service Charges* £000	Total £000	Indexation	Contract Expiry	Scheme Details
								PFI Special Grant and council resources.
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
Payments within 1 year	766	0	69	15,012	15,847			
Payments within 2 to 5 years	3,125	0	162	60,102	63,389			

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Scheme	Liability Repayment £000	Lifecycle Costs £000	Interest Charges £000	Service Charges* £000	Total £000	Indexation	Contract Expiry	Scheme Details
Payments within 6 to 10 years	933	0	933	46,581	48,447			service contract commenced in 2015 and the purchase of new vehicles to be utilised in the contract commenced in 2016.
Total	153,758	74,576	101,661	435,609	765,604			

*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.

Note 13a:

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

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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.

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 standards.

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.

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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 £1.631bn. These arrangements have been reviewed and updated for 2021/22 in line with the national guidance for Integrated Care systems.

	2019/20 £000s	2020/21 £000s
Funding		
Manchester City Council	(193,845)	(230,449)
Manchester CCG	(1,021,780)	(1,400,968)
Total Funding	(1,215,625)	(1,631,417)
Expenditure		
Manchester City Council	200,961	225,383
Manchester CCG	1,021,780	1,400,888
Total Expenditure	1,222,741	1,626,271
Overspend/ (Underspend)	7,116	(5,146)

Learning Disabilities Pooled Budget

The purpose of the pool is to improve services for users through closer working between the NHS and Local Government pursuant to the obligations for the former Primary Care Trust and Manchester City Council to co-operate with each other in providing the services.

Better Care Fund

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.

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	2019/20 £'000's	2020/21 £'000's
Funding		
Manchester City Council	(49,606)	(50,613)
Manchester CCG	(78,219)	(80,064)
Total Funding	(127,825)	(130,677)
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	126,114
Overspend / (Underspend)	326	(4,563)

The underspend of £4.563m 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:

- i. give the Council and the CCG greater transparency and control over the use of funding to support local integration of health and care services
- ii. 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
- iii. 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
- iv. protect health and / or social care as relevant to the partners in so far as this delivers the Better Care Fund national conditions.

Further detail can be found in the report to the Manchester Health and Wellbeing Board dated 25 March 2015. The Manchester Health and Wellbeing Board adopted a refreshed version of the Locality Plan on 14 March 2018 and received an update on 31 October 2018 for the Better Care Fund guidance released in July 2018.

The Better Care Fund plan continues to align to the Manchester Locality Plan which has been supported previously by the Health and Wellbeing Board. The locality plan

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describes the core schemes Local Care Organisation (LCO), Single Commissioning Function and Single Hospital Services which together will bring major transformational change in how the needs of people of Manchester are met.

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

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

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.

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Note 15. Financing and Investment Income and Expenditure

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

	Restated Gross Expenditure 2019/20 £000's	Gross Income 2019/20 £000's	Gross Expenditure 2020/21 £000's	Gross Income 2020/21 £000's
Interest payable on debt	22,442	0	23,241	0
Interest payable on PFI unitary payments	12,317	0	11,497	0
Interest income / expense on the defined benefit pension scheme	96,006	(72,570)	80,909	(64,178)
Investment interest income	0	(26,294)	0	(34,673)
Rentals received on investment properties	0	(22,840)	0	(21,125)
Expenses incurred on investment properties	2,858	0	2,779	0
Change in fair value of investment properties	28,101	(53,295)	25,888	(39,766)
Dividends receivable	0	(71,061)	0	(380)
Impairment loss allowance on debtors	4,672	0	10,286	0
Impairment of financial assets	547	0	228	0
(Gain) / Loss on trading accounts (not applicable to a service)	0	(8)	0	37
Total	166,943	(246,068)	154,828	(160,085)

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

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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 £000	2020/21 £000	
Council Tax Income	(161,477)	(172,577)	a
Business Rates Income	(330,268)	(161,520)	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	0	(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	0	(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)	(693,774)	

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.

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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 than 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 into the 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 2020)

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).

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 England 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.

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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.

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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 for 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)	0	
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 including Teacher Pension grant for maintained schools and COVID emergency support for schools	(4,576)	(11,177)	(e)
COVID 19 Grants	0	(38,710)	(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)	(661,665)	

(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 and Skills Funding Agency Adult Education Grant which totalled £426k in 2019/20.

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

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(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 – a breakdown of these grants is shown in the narrative report.

(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

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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.

Non-schools based staff

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

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

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	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
£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
Total	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.

	Staff Who Have Not Received Severance or Other Related Payments 2019/20	Staff Who Have Received Severance or Other Related Payments 2019/20	Total 2019/20	Staff Who Have Not Received Severance or Other Related Payments 2020/21	Staff Who Have Received Severance or Other Related Payments 2020/21	Total 2020/21
£50,000 - £54,999	62	0	62	76	0	76
£55,000 - £59,999	39	0	39	41	0	41

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	Staff Who Have Not Received Severance or Other Related Payments 2019/20	Staff Who Have Received Severance or Other Related Payments 2019/20	Total 2019/20	Staff Who Have Not Received Severance or Other Related Payments 2020/21	Staff Who Have Received Severance or Other Related Payments 2020/21	Total 2020/21
£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
Total	199	0	199	206	1	207

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Note 18a. 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

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	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 £
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

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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 - £20,000	84	498	95	879
£20,001 - £40,000	4	104	47	1,316
£40,001 - £60,000	0	0	23	1,142
£60,001 - £80,000	1	67	9	597
£80,001 - £100,000	1	89	6	525
Total	90	758	180	4,459

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 £000	2020/21 £000
Fees payable to Mazars with regard to external audit services carried out by the appointed auditor	219	159

The Council has incurred an additional audit fee in relation to the external audit of the Statement of Accounts by the Council's External Auditor Mazars LLP for 2019/20; the additional fee has now been approved by Public Sector Appointments Limited.

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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	35,869	0	0	0	0	11,623	131,102
Downward Revaluations recognised in deficit on the provision of services	(675)	(37,408)	0	0	0	0	(3,393)	(41,476)
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	2,045	(1,533)
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

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	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
Depreciation	(19,274)	(25,423)	(10,148)	(21,963)	0	0	(706)	(77,514)
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	1,098,402	56,277	538,992	33,224	229,320	160,184	2,739,594
Gross book value carried forward	623,171	1,157,178	119,666	719,548	34,077	229,320	163,044	3,046,004
Accumulated depreciation and Impairment carried forward as at 31 March 2021	24	(58,776)	(63,389)	(180,556)	(853)	0	(2,860)	(306,410)
Net book value carried forward as at 31 March 2021	623,195	1,098,402	56,277	538,992	33,224	229,320	160,184	2,739,594

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

	Property, Plant and Equipment							
	Council Dwellings Restated £000's	Other Land and Buildings £000's	Vehicles, Plant, and Equipment £000's	Infrastructure Assets £000's	Community Assets £000's	Assets Under Construction £000's	Surplus Assets £000's	Total £000's
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)

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	Property, Plant and Equipment							
	Council Dwellings Restated £000's	Other Land and Buildings £000's	Vehicles, Plant, and Equipment £000's	Infrastructure Assets £000's	Community Assets £000's	Assets Under Construction £000's	Surplus Assets £000's	Total £000's
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	2,528,643
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

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Note 22. Disposal of Assets

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

	2019/20 £000	2020/21 £000
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
Total	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 £000	2020/21 £000
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)
Total	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
Movement in 2020/21	£324,167,000	N/A	N/A	£16,893,000
Movement in 2019/20	£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

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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 40).

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

	Community £000s	Voluntary Controlled £000s	Voluntary Aided £000s	Foundation £000s	Total £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.

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Note 24. Heritage Assets

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

	Fine Art Works	Civic Plate	Monuments Statues and Fountains	Town Hall Sculptures	Other	Total
Cost or valuation	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 April 2020	594,788	2,959	745	2,962	3,367	604,821
Additions/ Donations	0	0	4	0	36	40
Revaluations	17,170	0	0	0	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:

	Fine Art Works	Civic Plate	Monuments Statues and Fountains	Town Hall Sculptures	Other	Total
Cost or valuation	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 April 2020	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.

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Further details can be found in the following documents:

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

b) Heritage Asset Management and Preservation

Manchester City Galleries Collection

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

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

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

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

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

Further details can be found in the following documents:

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

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

Management of the collection is assisted with advice from Manchester City Galleries. Database records are currently held by MCG on a Ke Emu electronic collection

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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 indefinite 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.

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The assets will be included at this value until a more detailed and appropriate valuation can be obtained.

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

d) Heritage Assets carried as other asset types

Listed Buildings

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

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

Statues / Fountains

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

Rare Books, Records and Archives

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

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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. 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

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Asset Valuation Groups	Range	
	From (years)	To (years)
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. 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. This is based on comparable evidence of market transactions of similar transactions nearby.

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. 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 £131,101,000 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 £41,476,000 in relation to PPE being charged to the Comprehensive Income and Expenditure Statement.

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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 and Buildings £000s	Vehicles, Plant and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Assets Under Construction £000s	Surplus Assets £000s	Total £000s
Historical Cost	0	0	55,791	538,992	33,224	229,320	0	857,325
Valuation in Year:								
2015/16	0	492	0	0	0	0	0	492
2016/17	0	17,231	0	0	0	0	7,593	24,824
2017/18	0	9,164	0	0	0	0	7,242	16,406
2018/19	0	242,098	136	0	0	0	21,247	263,480
2019/20	0	684,780	349	0	0	0	11,674	696,803
2020/21	623,195	144,637	0	0	0	0	112,430	880,263
Total	623,195	1,098,402	56,277	538,992	33,224	229,320	160,185	2,739,594

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 2020 £000s	31 March 2021 £000s
Other significant inputs*	Level 2	21,917	13,249
Significant unobservable inputs*	Level 3	112,949	146,935
Total		134,866	160,184

*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

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- 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.

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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 or liability. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data,

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taking into account all information about market participant assumptions that is reasonably available.

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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 at 31 March 2019	11,773
Movement in 2019/20	
Reclassifications	12,341
Disposals	(14,975)
Revaluations	335
Net book value carried forward at 31 March 2020	9,474
Movements in 2020/21	
Reclassifications	1,534
Disposals	(4,596)
Revaluations	(73)
Net book value carried forward at 31 March 2021	6,339

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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	Brunswick Housing £000s	Public Lighting £000s	Wright Robinson Sports College £000s	Refuse Vehicles Service Concession £000s	Total £000s
Net book value at 31 March 2019	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 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
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
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

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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 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	0	1,142	0	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 March 2021	0	1,824	13,971	42,669	48,561	22,995	18,914	4,824	153,758

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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
Total	60,423	56,015

Lease payments made:

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

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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	16,323
Later than one year and not later than five years	60,977	61,047
Later than five years	861,161	997,500
Total minimum lease payments	938,932	1,074,870

The large increase in operating lease income later than 5 years is due to a new lease to Manchester Airport Holdings Ltd.

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.

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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	13,878
Net book value carried forward as at 31 March 2021	476,130

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

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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.

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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
Heritage assets	30	40
Revenue expenditure funded from capital under statute*	31,004	12,168
Intangible assets	57	0
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	1,648,796
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).

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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 contractual commitments relating to ongoing schemes for the enhancement of assets were as follows:

	2020 £000s	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
Total	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 into the major contracts for the main construction phase.

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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 Council car park assets came back into the Council with effect from 1 January 2021 and are now managed and operated within the Council.

The 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 5 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.

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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:

	2019/20	2020/21
Council's share of Manchester Airports Holdings Ltd	£000s	£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	63,403
Total expenditure	264,830	203,025

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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 impairment loss allowance 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	69,210
Other local authorities	35,687	27,833
NHS bodies	7,358	8,795
Public corporations	1,503	0
Housing rents	7,599	8,450
All other bodies (external to government) - trade organisations and individuals	123,455	133,408
	205,814	247,696
Impairment of Debt		
Housing rents	(6,356)	(6,663)
Other	(63,369)	(71,709)
	136,089	169,324
Debtors not included in the Financial Instruments note		
HM Revenue and Customs	6,657	8,103
Government departments payments in advance	0	117
Financial institutions payments in advance	1	0
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	7,400	6,324
Impairment of Debt		
Council tax	(47,203)	(55,119)
Business rates	(23,253)	(45,450)
Total	170,857	213,410

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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 impairment allowance for non-collection.

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
Total	19,960	28,791

Long Term Debtors

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	

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a - This debtor relates to loan advances in respect of undertakings transferred to the former Greater Manchester Council and are repayable by the Greater Manchester Metropolitan Debt Administration Fund.

b - These debtors relate to loans to individuals given to carry out works to their properties or to provide relocation assistance following compulsory purchase orders. These loans are accounted for as embedded derivatives or soft loans. The amount relating to embedded derivatives is an estimate of the amount to be repaid based on the amount of loans outstanding adjusted by the Land Registry House Pricing Index. The amount relating to soft loans is based on the amount to be repaid reduced by the amount of foregone interest as these loans are offered at below market rates of interest.

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

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

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

f - This debtor relates to a loan made to Manchester Quays Riverside Ltd in connection with the 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 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.

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	31 March 2020 £000s	31 March 2021 £000s
Short Term Creditors and Receipts in Advance		
Creditors classed as Financial Instruments		
Government departments	7,514	49,838
Other local authorities	28,083	12,350
NHS bodies	535	2,486
Public corporations	1	128
Financial institutions	1,447	643
Housing rents	2,653	2,783
Other bodies (external to government) - trade organisations and individuals	102,406	126,952
	142,638	195,180
Creditors not classed as Financial Instruments		
Government departments receipts in advance	34,816	2,572
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	10,071
Council tax	7,986	10,316
Business rates	15,620	11,094
Total	216,596	234,867

(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

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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

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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		Average Interest %	31 March 2021 £000s
		From %	To %		
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	18,708
Stocks	858	4.0000	4.0000	4.0000	858
Total Outstanding	585,397				578,556
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				550,604
Total by maturity	585,397				578,556

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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		Average Interest %	31 March 2021 £000s
		From %	To %		
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
Total by maturity	1,432,834				1,404,497

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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
Total	166,649	(11,479)	1,242	156,412	12,143	144,269

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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	4,675	4,866	3,194	(2,462)	10,273	6,194	4,079	a
Insurance provision (including HRA)	3,413	1,380	2,033	1,603	(1,774)	3,242	2,682	560	b
Provision for business rate appeals	90,999	24,872	66,127	39,952	(15,039)	115,911	10,377	105,534	c
Various other provisions	776	643	133	169	(73)	872	739	133	
Total	104,729	31,570	73,159	44,918	(19,348)	130,298	19,992	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.

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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 cannot be certain as to when these appeals will be settled as it is dependent 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.

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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	578,556	32,904	184,675	618,301	763,231
Deferred Liabilities	155,196	144,269	11,453	12,143	166,649	156,412
Creditors	1,243	1,026	142,638	195,180	143,881	196,205
Total Financial Liabilities	741,836	723,851	186,995	391,998	928,831	1,115,848
Financial Assets						
Amortised cost	51,955	53,478	290,169	218,588	342,124	297,958
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	218,588	369,057	300,879

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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	
	31 March 2020 £000s	31 March 2021 £000s	31 March 2020 £000s	31 March 2021 £000s
Liabilities				
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	5,146	2,654	5,146	2,654
PFI and service concessions liabilities	161,503	153,758	161,503	153,758
Trade creditors	143,881	196,206	143,881	196,205
Total Financial Liabilities	928,831	1,115,847	1,131,841	1,377,397
	Carrying Amount		Fair Value	
	31 March 2020 £000s	31 March 2021 £000s	31 March 2020 £000s	31 March 2021 £000s
Assets				
Cash and cash equivalents	133,984	49,265	133,984	49,265
Long term investments	26,932	28,813	26,933	28,813
Short term investments	20,098	0	20,098	0
Trade debtors	188,043	222,802	210,821	251,417
Total Financial Assets	369,057	300,879	391,836	329,494

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

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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 £000s	Other comprehensive income and expenditure £000s	Surplus on the provision of services £000s	Other comprehensive income and expenditure £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	2,734
Total net (gains)/losses	1,081	980	(156)	2,734
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.

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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 in the maturity structure of its debts.
 - 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 5 March 2021. This strategy is available on the Council's website. Some of the key areas of the strategy are as follows:

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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.

As at the balance sheet date, the amounts included within the cash and cash equivalents figure above held with banks and financial institutions (excluding other local authorities) can be analysed by potential credit loss:

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Deposit	Fitch Short Term rating	Moody's Short Term rating	S&P short term rating	Amount at 31 March 2021 £000's	Historic Risk of Default	Estimated value at risk £000's
Bank of Scotland	F1	P-1	A-1	15,000.0	0.02%	3
NatWest Bank	F1	P-2	A-2	1.0	0.05%	0
Barclays Bank	F1	P-1	A-1	12,400.0	0.02%	2

The Council does not expect any losses from these investments.

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, Moodys 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 £301,174,000 and the estimated exposure to default is £78,372,000.

Liquidity Risk

The Council has ready access to borrow from the money markets to cover any day to day cash flow need, and from 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.

The maturity analysis of financial assets, net of any impairment, is as follows:

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	31 March 2020 £000	31 March 2021 £000
Less than 1 year	290,170	218,589
Between 1 year and 2 years	1,590	1,568
Between 2 and 3 years	1,540	5,868
More than 3 years	75,756	74,855
Total	369,057	300,880

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.

The maturity analysis of financial liabilities is as follows:

	31 March 2020 £000	31 March 2021 £000
Less than 1 year	185,853	391,187
Between 1 year and 2 years	20,975	20,914
Between 2 and 5 years	52,861	46,186
Between 5 and 10 years	51,168	48,218
More than 10 years	617,974	609,340
Total	928,831	1,115,846

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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 organisations 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

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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.

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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 in 2019/20 were as follows:

	31 March 2019 £000s	IFRS9 Transition £000s	Transfers between reserves £000s	Transfers to reserves £000s	Transfers from reserves £000s	31 March 2020 £000s	
a) Reserves Held for Capital Purposes							
Capital Receipts Reserve	(81,860)	0	0	(37,271)	22,282	(96,849)	a(1)
Major Repairs Reserve	(2,913)	0	0	(18,107)	18,593	(2,427)	a(2)
Capital Grants Unapplied Reserve	(57,516)	0	0	(117,256)	70,717	(104,055)	a(3)
Total Reserves Held for Capital Purposes	(142,289)	0	0	(172,634)	111,592	(203,331)	
Reserves Held for Revenue Purposes							
b) Schools Reserves							
Local Management of Schools	(25,358)	0	0	0	13,646	(11,712)	b(1)
Total reserves held for schools	(25,358)	0	0	0	13,646	(11,712)	
c) Statutory Reserves							
Bus Lane Enforcement Reserve	(11,742)	0	0	(5,020)	4,164	(12,598)	c(1)
On-street Parking Reserve	(2,819)	0	0	(6,114)	4,676	(4,257)	c(2)
Ancoats Square Reserve	(2,850)	0	0	(4)	27	(2,827)	c(3)
Highways Commuted Sums Reserve	(371)	0	(702)	(1,649)	0	(2,722)	c(4)
Other smaller reserves under £1.0m	(2,706)	0	0	(171)	274	(2,603)	
Total Statutory Reserves	(20,488)	0	(702)	(12,958)	9,141	(25,007)	
d) Reserves held for PFIs							
Public Lighting PFI Reserve	(401)	0	0	(3)	260	(144)	d(1)
Temple School PFI Reserve	(677)	0	0	(11)	64	(624)	d(2)
Wright Robinson Sports College PFI Reserve	(1,311)	0	0	(40)	0	(1,351)	d(3)

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	31 March 2019 £000s	IFRS9 Transition £000s	Transfers between reserves £000s	Transfers to reserves £000s	Transfers from reserves £000s	31 March 2020 £000s	
Total Reserves held for PFIs	(2,389)	0	0	(54)	324	(2,119)	
e) Small specific reserves							
Other smaller reserves under £1.0m	(3,510)	0	0	(1,077)	318	(4,269)	e(1)
Total small specific reserves	(3,510)	0	0	(1,077)	318	(4,269)	
f) Reserves held to smooth risk / assurance							
Insurance Fund Reserve	(17,590)	0	0	(998)	0	(18,588)	f(1)
Crime and Disorder Reserve	(1,500)	0	0	0	420	(1,080)	f(2)
Investment Estate Reserve	(1,524)	0	0	0	291	(1,233)	f(3)
Collections Initiative Reserve	(5,891)	0	0	0	5,891	(0)	f(4)
Manchester International Festival Reserve	(600)	0	(439)	(672)	176	(1,535)	f(5)
Adult Social Care Reserve	(1,993)	0	0	0	500	(1,493)	f(6)
Transformation Reserve	(7,145)	0	0	(6,440)	2,490	(11,095)	f(7)
Airport Dividend Reserve	(9,235)	0	0	(248)	0	(9,483)	f(8)
Planning Income Reserve	(47,077)	0	0	(55,806)	47,077	(55,806)	f(9)
Budget Smoothing Reserve	(2,195)	0	0	(991)	0	(3,186)	f(10)
Children's Services Reserve	(2,500)	0	0	(10,651)	2,500	(10,651)	f(11)
Other smaller reserves under £1.0m	(3,044)	0	702	(1,545)	209	(3,678)	f(12)
Total reserves held to smooth risk / assurance	(100,294)	0	263	(77,351)	59,554	(117,828)	
g) Business Rates Reserve							
Business Rates Reserve	(19,189)	0	0	(8,761)	2,490	(25,460)	g(1)
Total Business Rates Reserve	(19,189)	0	0	(8,761)	2,490	(25,460)	
h) Revenue reserves held to support capital schemes							
Capital Fund Reserve	(65,510)	0	0	(14,111)	12,522	(67,099)	h(1)
Capital Financing Reserve	(29,730)	0	0	(5,000)	0	(34,730)	h(2)

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	31 March 2019 £000s	IFRS9 Transition £000s	Transfers between reserves £000s	Transfers to reserves £000s	Transfers from reserves £000s	31 March 2020 £000s	
English Institute of Sport Reserve	(4,779)	0	0	(4,796)	7,491	(2,084)	h(3)
Investment Reserve	(13,370)	0	0	0	443	(12,927)	h(4)
Total revenue reserves held to support capital schemes	(113,389)	0	0	(23,907)	20,456	(116,840)	

	Balance 31 March 2019 £000s	IFRS9 Transition £000s	Transfers between reserves £000s	Transfers to reserves £000s	Transfers from reserves £000s	31 March 2020 £000s	
i) Reserves held for economic growth and public sector reform							
Clean and Green Places Reserve	(1,457)	0	0	0	1,023	(434)	i(1)
Social Care Reserve	(18,028)	0	0	(2,904)	6,701	(14,231)	i(2)
Our Manchester Reserve	(5,141)	0	615	(819)	1,669	(3,676)	i(3)
Town Hall Reserve	(11,445)	0	0	(2,400)	2,514	(11,331)	i(4)
Supporting Families Reserve	(1,283)	0	439	(347)	41	(1,150)	i(5)
Total reserves held for economic growth and public sector reform	(37,354)	0	1,054	(6,470)	11,948	(30,822)	
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	(1,519)	0	0	0	485	(1,034)	
Other Grants and Contributions Reserve	(750)	0	0	(8)	200	(558)	
Integration Reserve	(6,190)	0	(615)	(440)	4,593	(2,652)	
Other smaller reserves under £1.0m	(1,309)	0	0	(3,261)	629	(3,941)	

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	Balance 31 March 2019 £000s	IFRS9 Transition £000s	Transfers between reserves £000s	Transfers to reserves £000s	Transfers from reserves £000s	31 March 2020 £000s	
Total grants and contributions used to meet commitments over more than one year	(9,768)	0	(615)	(3,709)	5,907	(8,185)	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	0	0	0	(18,200)	0	(18,200)	k(1)
Total COVID-19 grants and contributions used to meet commitments over more than one year	0	0	0	(18,200)	0	(18,200)	
Total reserves held for revenue purposes	(331,738)	0	0	(152,487)	123,784	(360,442)	
l) General Fund Reserve							
General Fund Reserve	(22,045)	0	0	0	692	(21,353)	l(1)
Total all general fund reserves	(353,783)	0	0	(152,487)	124,476	(381,795)	
m) Housing Revenue Account Reserve							
Housing Revenue Account Reserve	(104,452)	0	0	(4,993)	0	(109,445)	m(1)
Total All Usable Reserves	(600,524)	0	0	(330,114)	236,068	(694,571)	

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Movements on the Council's usable reserves in 2020/21 were as follows:

	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	
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	(6,069)	a(2)
Capital Grants Unapplied Reserve	(104,055)	0	(104,055)	0	(88,780)	98,830	(94,005)	a(3)
Total Reserves Held for Capital Purposes	(203,331)	0	(203,331)	0	(129,459)	138,761	(194,030)	
Reserves Held for Revenue Purposes								
b) Schools Reserves								
Local Management of Schools	(11,712)	(4,281)	(15,993)	0	(5,486)	(0)	(21,479)	b(1)
Total reserves held for schools	(11,712)	(4,281)	(15,993)	0	(5,486)	(0)	(21,479)	
c) Statutory Reserves								
Bus Lane Enforcement Reserve	(12,598)	0	(12,598)	0	(2,035)	4,172	(10,461)	c(1)
On-street Parking Reserve	(4,257)	0	(4,257)	0	(2,007)	4,731	(1,533)	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	(20,253)	
d) Reserves held for PFIs								
Public Lighting PFI Reserve	(144)	0	(144)	0	(66)	0	(210)	d(1)
Temple School PFI Reserve	(624)	0	(624)	0	(10)	76	(558)	d(2)
Wright Robinson Sports College PFI Reserve	(1,351)	0	(1,351)	0	(85)	0	(1,436)	d(3)
Total Reserves held for PFIs	(2,119)	0	(2,119)	0	(161)	75	(2,204)	
e) Small specific reserves								

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	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	
Other smaller reserves under £1.0m	(4,269)	0	(4,269)	0	(405)	409	(4,265)	e(1)
Total small specific reserves	(4,269)	0	(4,269)	0	(405)	409	(4,265)	
f) Reserves held to smooth risk / assurance								
Insurance Fund Reserve	(18,588)	0	(18,588)	0	0	524	(18,064)	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	(1,499)	48	(2,986)	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)	6,874	(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)	196	(3,579)	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)	141	(2,277)	f(11)
Other smaller reserves under £1.0m	(3,227)	0	(3,227)	0	(12)	551	(2,688)	f(12)
Total reserves held to smooth risk / assurance	(117,828)	0	(117,828)	1,500	(36,230)	24,352	(128,206)	
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	(87,664)	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	(11,782)	h(4)

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	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
Total revenue reserves held to support capital schemes	(116,840)	0	(116,840)	0	(29,300)	10,955	(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
i) Reserves held for economic growth and public sector reform							
Clean and Green Places Reserve	(434)	0	(434)	0	0	44	(390)
Social Care Reserve	(14,231)	0	(14,231)	0	(920)	7,167	(7,984)
Our Manchester Reserve	(3,676)	0	(3,676)	0	(111)	730	(3,057)
Town Hall Reserve	(11,331)	0	(11,331)	0	(2,400)	1,335	(12,396)
Supporting Families Reserve	(1,150)	0	(1,150)	0	(841)	64	(1,927)
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)	584	(789)
Other Grants and Contributions Reserve	(558)	0	(558)	0	(888)	346	(1,100)
Integration Reserve	(2,652)	0	(2,652)	0	(13,608)	1,283	(14,977)
MAES Reserve	(2,613)	0	(2,613)	0	0	1,164	(1,449)
Supporting People Reserve	(448)	0	(448)	(1,500)	(143)	166	(1,925)
Other smaller reserves under £1.0m	(880)	0	(880)	0	0	110	(770)

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	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	
Total grants and contributions used to meet commitments over more than one year	(8,185)	0	(8,185)	(1,500)	(14,978)	3,653	(21,010)	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 Guarantee Scheme	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	(298,100)	83,285	(579,538)	
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	(303,550)	83,285	(606,341)	
m) Housing Revenue Account Reserve								
Housing Revenue Account Reserve	(109,445)	0	(109,445)	0	(1,722)	0	(111,167)	
Total All Usable Reserves	(694,570)	(4,281)	(698,852)	0	(434,731)	222,046	(911,537)	

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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)	(19,558)
Financing of capital expenditure on council dwellings	18,593	15,916
Balance at 31 March	(2,427)	(6,069)

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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)	(104,055)	
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	(104,055)	(94,004)	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.

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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 predates 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 2020/21 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

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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 £11.853m, 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.

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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. This reserve is expected to fund relevant spend until the end of the Town Hall project.

i(5) Supporting 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. 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 tranche 1 COVID emergency funding grant of £18.6m was received in March 2020, it funded £0.4m of COVID related spend in 2019/20 with the balance of £18.2m carried forwards and applied against COVID-19 pressures in 2020/21. 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

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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.

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Note 41. Unusable Reserves

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

	31 March 2020 £000s	1 April 2020 £000s	31 March 2021 £000s	Note
Revaluation balances				
Revaluation Reserve	(1,273,124)	(1,273,124)	(1,367,896)	a
Financial Instruments Revaluation Reserve	(13,014)	(13,014)	(10,280)	b
Adjustment accounts				
Pensions Reserve	689,573	689,573	1,035,884	c,43
Capital Adjustment Account	(1,296,434)	(1,296,434)	(1,377,853)	d
Deferred Capital Receipts Reserve	(3,614)	(3,616)	(3,921)	e
Financial Instruments Adjustment Account	4,284	4,284	4,924	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
Total	(1,902,244)	(1,897,964)	(1,563,094)	

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 charges on the Council's non property 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	(70,160)	(131,101)
Revaluations relating to other non-PPE assets	(6,424)	(20,726)
Revaluation gain depreciation	16,747	17,171
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
Total	(1,273,124)	(1,397,896)

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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)	(763)
Downward revaluation of investments	1,469	3,498
Balance at 31 March	(13,014)	(10,280)

c - Pensions Reserve

The debit balance on the pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post retirement benefits and for funding benefits in accordance with statutory provisions.

	2019/20 £000s	2020/21 £000s
Balance at 1 April	952,607	689,573
Net Movement in Year	(263,034)	346,311
Balance at 31 March	689,573	1,035,884

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.

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	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)	(98,831)
Revenue contributions used	(15,456)	(18,791)
Movement in fair value of investment property	(25,194)	(6,286)
Revaluation gain depreciation	(16,747)	(17,171)
Disposals transferred from revaluation reserve	(15,633)	(1,888)
Depreciation	77,109	77,513
Major Repairs Allowance	(18,594)	(15,916)
Capital Receipts Used	(19,729)	(21,449)
Other Disposals	65,195	7,410
Amortisation 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	41,514
Transfer from Revaluation Reserve re investment properties	(1,143)	0
Impairment of financial instrument assets	547	228
Balance at 31 March	(1,296,434)	(1,377,853)

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.

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Equity Loans

a) Home Improvement Loans

These are equity share loans offered to homeowners 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	Gains on disposal £000s	Principal Repayments £000s	Fair Value Adjustments £000s	Closing Balance 31 March 2021 £000s
Equity Mortgages	(1,950)	(118)	426	214	(1,428)
Equity Loans	(1,666)	0	0	(828)	(2,493)
Total Deferred Capital Receipts	(3,616)	(118)	426	(614)	(3,921)

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	4,924	

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.

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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.

	2019/20 £000s	2020/21 £000s
Council Tax		
Balance at 1 April	(5,893)	(2,862)
Movement in Year	3,031	1,887
Balance at 31 March	(2,862)	(975)

	2019/20 £000s	2020/21 £000s
Business Rates		
Balance at 1 April	(15,772)	(12,898)
Movement in Year	2,874	190,915
Balance at 31 March	(12,898)	178,017

	2019/20 £000s	2020/21 £000s
Total		
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	903
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

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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			2,450
Agreed initial budgeted distribution in 2020/21	18,689	300,121	318,810
In year adjustments	0	0	0
Final budgeted distribution for 2020/21	18,689	300,121	318,810
Less actual central expenditure	14,190	0	14,190
Less actual ISB deployed to schools	0	304,428	304,428
Plus local authority contribution for 2020/21	0	0	0
Carry forward surplus / (deficit) to 2021/22	4,499	(4,307)	192
Plus carried forward to 2021/22 agreed in advance			(2,450)
Cumulative carry forward (deficit) to 2021/22			(2,258)

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.

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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

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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:

a) The Local Government Pension Scheme

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.

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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.

b) The Teachers' Pension Scheme

The Teachers' Pension Scheme is a defined benefit scheme, administered by the Department for Education. Further information is included in Note 44.

c) The 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. 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

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	2019/20 £000s	2020/21 £000s
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 surplus/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	(575,680)
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)	297,623
The amount charged to other comprehensive income and expenditure statement	(205,043)	401,879
Movement in Reserves Statement		
Reversal of the charges to the surplus / 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	45,382
Employer's contribution re: unfunded deficit	10,676	10,186

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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	(575,680)
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)	(3,517,661)

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

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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	3,517,661
Net Liability arising from Defined Benefit obligation	(689,573)	(949,456)

The liabilities show the underlying commitment that the Council has in the long run to pay retirement benefits. The total liability of £949.4m is included within the net worth of the Council which has reduced by £122,184m as recorded in the balance sheet resulting in a positive overall balance of £2,474.631m.

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 Council made an upfront payment of £129.642m to the Greater Manchester Pension Fund for three years upfront employer contributions. This resulted in a reduction in the rate paid.

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%	2.9%
Discount rate	2.3%	2.0%

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	2019/20	2020/21
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
0.1% decrease in Real Discount Rate	2%	81,812
1 year increase in member life expectancy	4%	178,685
0.1% increase in the Salary Increase Rate	0%	7,711
0.1% increase in the Pension Increase Rate (CPI)	1%	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.

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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 £000s	Quoted Prices not in Active Markets £000s	Total £000s	%	Quoted Prices in Active Markets £000s	Quoted Prices not in Active Markets £000s	Total £000s	%
Equity securities								
Consumer	214,913	0	214,913	8%	309,215	0	309,215	9%
Manufacturing	177,111	0	177,111	6%	273,855	0	273,855	8%
Energy and utilities	140,721	0	140,721	5%	183,672	0	183,672	5%
Financial institutions	254,950	0	254,950	9%	392,119	0	392,119	11%
Health and care	131,839	0	131,839	5%	182,663	0	182,663	5%
Information technology	116,763	0	116,763	4%	181,926	0	181,926	5%
Other	58,287	0	58,287	2%	48,829	0	48,829	1%
Debt securities								
Corporate bonds (investment grade)	136,368	0	136,368	5%	156,876	0	156,876	4%
Other	116,031	0	116,031	4%	81,311	0	81,311	2%
Private equity								
All	0	180,628	180,628	6%	0	215,713	215,713	6%
Real estate								
UK property	0	130,394	130,394	5%	0	133,370	133,370	4%

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	Year Ended 31 March 2020				Year Ended 31 March 2021			
	Quoted Prices in Active Markets £000s	Quoted Prices not in Active Markets £000s	Total £000s	%	Quoted Prices in Active Markets £000s	Quoted Prices not in Active Markets £000s	Total £000s	%
Investment funds and unit trusts								
Equities	265,531	0	265,531	9%	263,188	0	263,188	8%
Bonds	356,654	0	356,654	13%	420,054	0	420,054	12%
Infrastructure	0	169,774	169,774	6%	0	198,613	198,613	6%
Other	67,801	288,047	355,849	13%	46,190	343,284	389,474	11%
Derivatives								
Other	0	0	0	0%	(8,989)	0	(8,989)	0%
Cash and cash equivalents								
All	32,025	0	32,025	1%	95,774	0	95,774	3%
Total	2,068,994	768,843	2,837,838	100%	2,626,683	890,980	3,517,663	100%

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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 43.

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 £23,433,000 (£20,488,000 2019/20), the set contribution rate being 23.68% (1 April 2019 to 31 August 2019 16.48%, 1 September 2019 to 31 March 2020 23.68%%).

The total contributions expected to be made to the Teachers' Pension Scheme by the Council in the year to 31 March 2022 is £23,786,000.

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 £5,698,000 (£5,756,000 2019/20) of which £966,000 (£1,045,000 2019/20) relates to former further education employees and is refunded by the Office for Students.

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 £86,000 (£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**

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

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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	943,315
Central Government - capital grants	89,654	83,780
Greater Manchester Combined Authority - capital contribution	21,740	5,000
Manchester Airports Holdings Ltd - dividend	71,061	0
Manchester Airports Holdings Ltd - repayment of interest	22,478	30,934
Manchester Airports Holdings Ltd - net rent	9,013	9,549
Manchester Clinical Commissioning Group	21,014	34,805
Destination Manchester Ltd - interest on loans	776	704
Destination Manchester Ltd - repayment of loan principal	0	750
Northwards Housing Ltd (capital and revenue income)	2,133	2,376
Manchester Professional Services Limited	122	107
Manchester Creative Digital Assets Limited	6,092	4,407
CityCo (Manchester) Limited	5	0
Wythenshawe Forum Trust Limited	335	200
Total	912,992	1,115,928

Expenditure	2019/20 £000s	2020/21 £000s
Greater Manchester Combined Authority - levy	36,824	20,595
Greater Manchester Waste Disposal - levy	31,514	30,051
Greater Manchester Combined Authority – Transport Function	0	16,881
Greater Manchester Police and Crime Commissioner – precept	23,006	24,759
Greater Manchester Fire and Rescue Authority - precept	8,927	10,811
Greater Manchester Fire and Rescue Authority - share of business rates	3,329	3,438

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Expenditure	2019/20 £000s	2020/21 £000s
Manchester Clinical Commissioning Group	7,795	5,419
Northwards Housing Ltd (capital and revenue spend)	30,793	29,656
Manchester Professional Services Limited	30	41
Manchester Creative Digital Assets Limited	3,144	2,331
CityCo (Manchester) Limited	204	163
Wythenshawe Forum Trust Limited	877	876
Total	146,443	145,020

	Amounts owed from		Amounts owed to	
	2019/20 £000s	2020/21 £000s	2019/20 £000s	2020/21 £000s
Central Government	36,868	77,430	50,413	62,481
Greater Manchester Combined Authority	10,086	10,866	12,385	295
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	1,097	54	82
Northwards Ltd	697	777	927	38
Manchester Working Ltd	242	0	333	0
Manchester Professional Services Limited	20	20	0	0
Manchester Creative Digital Assets Limited	497	1,747	8	0
Wythenshawe Forum Trust Limited	28	0	0	7
Total	289,459	464,442	64,120	62,903

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 material transactions with related parties advised by members or Chief Officers (Senior Management Team).

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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).

Grant details are set out in Notes 16 and 17. Central Government debtors and creditors are set out in Notes 34 and 35.

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 former Leader of the Council, was 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.

Manchester Professional Services Limited (MPSL)

Manchester Professional Services Limited has the principal activity of provision of company secretarial services. MCC has significant influence control. The director who served the company during the year was the Deputy Chief Executive and City Treasurer, Carol Culley.

Manchester Creative Digital Assets Limited (MCDA)

Manchester Creative Digital Assets Ltd. manages and operates the Council's digital assets, to identify gaps in provision and bring forward strategies to provide support to

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digital businesses. MCC has significant control. In 2020/21 Strategic Director of Growth and Development Rebecca Heron, Deputy Chief Executive and City Treasurer Carol Culley, Councillor Beverley Craig and Director of Inclusive Economy Angela Harrington acted as directors.

CityCo (Manchester) Limited

CityCo (Manchester) Limited aims to improve, develop and regenerate all aspects of the city centre as a trading environment. During the year Councillor Beverley Craig and Councillor Patrick Karney acted as directors.

Wythenshawe Forum Trust Limited

Wythenshawe Forum Trust Limited manages and operates the Wythenshawe Forum site. During 2020/21 Head of Service Parks, Leisure, Youth and Events Neil Fairlamb, Councillor Glynn Evans, and Councillor Tracy Rawlins acted as directors.

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 5 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

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wound up by the end of December 2022 with any remaining assets or liabilities transferring back to the City Council.

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

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	27,379
Cash Equivalents	100,030	0
Balance at bank	25,626	21,832
Total	133,984	49,265

Note 49. Cash Flow Statement - Adjustments to net deficit / surplus on the provision of services for non-cash movements

	31 March 2020 £000s	31 March 2021 £000s
Depreciation of non-current assets	77,109	77,512
Impairment and revaluation losses of non-current assets	13,930	41,513
Amortisation of intangible non-current assets	85	64
Pension fund adjustments	72,468	48,688
Movement in fair value of investment property	(25,195)	(13,878)
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	4,386	1,047
Increase in credit loss impairment	4,672	10,668
Contributions to / (from) 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	2,070
(Increase) in inventories	(27)	(36)
(Increase) in debtors (less capital)	(19,764)	(65,934)
(Increase) in interest debtors	(13,768)	(32,060)

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	31 March 2020 £000s	31 March 2021 £000s
Increase in creditors (less capital)	50,821	15,919
(Decrease) / increase in interest creditors	(76)	905
Total	246,318	89,929

Note 50. Cash Flow Statement - Adjustments for items included in the net deficit / surplus 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 / surplus on the provision of services	(106,044)	(75,420)
Total	(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)

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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	28,014
Net cash flows from investing activities	(86,845)	(243,452)

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

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Note 54. Cash Flow Statement - Reconciliation of liabilities arising from Financing Activities

	1 April 2020 £000s	Financing cash flows £000s	Non-cash changes		31 March 2021 £000s
			Acquisition £000s	Other non- cash charges £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 £000s	Financing cash flows £000s	Non-cash changes		31 March 2020 £000s
			Acquisition £000s	Other non- cash charges £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

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 Council with effect from 5 July 2021, this included TUPE transfer for all staff, novation of existing contracts and the 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

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of December 2022 with any remaining assets or liabilities transferring back to the 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 26 July 2022. All events after the Balance Sheet date until this date have been considered for disclosure as events after the Balance Sheet date.

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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	Housing Revenue Account (HRA) Income and Expenditure Statement	2020/21 £000s
	Expenditure	
26,317	Repairs and maintenance	34,657
14,610	Supervision and management	15,139
281	Rents, rates taxes and other charges	408
23,256	Depreciation and impairment of non-current assets (note d,e)	20,231
25	Debt management costs	22
48	Revenue expenditure funded from capital under statute	2
64,537	Total Expenditure	70,459
	Income	
(59,944)	Dwelling rents	(61,632)
(392)	Non-dwelling rents	(417)
(922)	Charges for services and facilities	(960)
(243)	Contributions towards expenditure	(53)
(23,586)	Private Finance Initiative Grant	(23,374)
(85,088)	Total Income	(86,436)
(20,551)	Net (Income) of HRA Services as included in the Council's Comprehensive Income and Expenditure Statement	(15,977)
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	(15,877)
	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	(7,969)

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Movement on the Housing Revenue Account Statement

2019/20 £000s	Movement on the Housing Revenue Account Statement	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	(7,969)
	Adjustments between accounting basis and funding basis under the legislative framework	
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	(329)
(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	(1,721)
(109,445)	Balance on the HRA at the end of the current year	(111,165)

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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
Total	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
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	5,071
Vehicles, plant and equipment	783	682
Infrastructure	1,945	1,867
Total operational	575,928	630,815
Non-operational		
Surplus properties	572	569
Assets under construction	2,091	19,297
Total non-operational	578,591	650,681

(b) Vacant Possession of Dwellings

The vacant possession value of dwellings within the Council's HRA at 1 April 2020 was £1,391,275,000 and 31 March 2021 was £1,558,650,000. The difference

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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
Total Expenditure	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
Total Funded by	18,946	17,574
Receipts		
Council dwellings	14,591	5,445
Mortgage repayments	1	0
Total receipts	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
Total	18,107	19,558

(e) Impairment Charges

	2019/20 £000s	2020/21 £000s
Non-enhancing capital expenditure	117	0
Downward revaluation of assets	5,031	674
Total	5,149	674

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(f) 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 £329,000 (£167,000 in 2019/20). The overall amount to be met from rent payers remains unchanged.

(g) 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 Statement

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
0	203,090	203,090	Income			
0	0	0	Council Tax - net amount receivable	0	212,906	212,906
377,735	0	377,735	Local Council Tax Hardship Fund	0	6,835	6,835
377,735	203,090	580,825	Collectable from business ratepayers	226,078	0	226,078
			Total Income	226,078	219,741	445,819
			Expenditure			
13,271	5,478	18,749	Apportionment of Previous Year Surplus			
			- Manchester City Council	12,080	5,028	17,108
			- GMCA Police and Crime			
0	721	721	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	340,353	169,437	509,789
			- GMCA Police and Crime			
0	23,006	23,006	Commissioner	0	24,759	24,759
3,329	8,927	12,256	- GMCA Mayoral and Fire and Rescue	3,438	10,811	14,249

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2019/20 £000s				2020/21 £000s		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
1,152	0	1,152	Business rates			
548	0	548	- Transitional protection payment	3,220	0	3,220
			- Enterprise Zone 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	418,922	222,064	640,985
(2,903)	(3,666)	(6,569)	Movement on fund balance	(192,844)	(2,322)	(195,166)
15,931	7,175	23,106	Fund balance brought forward	13,028	3,509	16,536
13,028	3,509	16,537	Fund Balance Carried Forward	(179,816)	1,186	(178,630)

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Notes to the Collection Fund Statement

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 £899,644,000 (£906,662,000 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 204,585 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.

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c) Share of Fund Balance

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

Business Rates	Surplus 2019/20 £000s	(Deficit) 2020/21 £000s
Manchester City Council	12,898	(178,017)
GMCA Mayoral and Fire and Rescue	130	(1,796)
Total Surplus	13,028	(179,816)
Council Tax	Surplus 2019/20 £000s	Surplus 2020/21 £000s
Manchester City Council	2,862	975
GMCA Police and Crime Commissioner	426	144
GMCA Mayoral and Fire and Rescue	221	67
Total Deficit / (surplus)	3,509	1,186

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.

The Government announced in its 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.

Group Accounts

Group Comprehensive Income and Expenditure Statement

This account summarises the resources that have been generated and consumed in providing services and managing the Group during the last year. It includes all day-to-day expenses and related income on an accruals basis.

Restated 2019/20 Gross Expenditure £000s	Restated 2019/20 Gross Income £000s	Restated 2019/20 Net Expenditure £000s		2020/21 Gross Expenditure £000s	2020/21 Gross Income £000s	2020/21 Net Expenditure £000s
			Continuing operations			
272,674	(60,059)	212,615	Adult Social Care	284,455	(81,530)	202,925
36,318	(24,491)	11,827	Homelessness	48,438	(31,574)	16,864
567,681	(386,914)	180,767	Children's Services	553,971	(399,577)	154,394
332,904	(248,094)	84,810	Corporate Core	328,269	(244,023)	84,246
173,851	(54,805)	119,046	Neighbourhoods and Highways	178,980	(59,886)	119,094
86,058	(40,096)	45,962	Growth and Development	80,926	(40,178)	40,748
5,492	(11,152)	(5,660)	Corporate Items	7,001	(10,629)	(3,628)
7,729	0	7,729	Council-Wide Costs	4,775	0	4,775
64,537	(85,088)	(20,551)	Housing Revenue Account	70,459	(86,436)	(15,977)
21,097	(18,718)	2,379	Destination Manchester Ltd	12,349	(12,072)	277
1,568,341	(929,417)	638,924	Cost of services excluding acquired services	1,569,623	(965,905)	603,718
			Other operating expenditure			
53,133	(7,129)	46,004	Loss on disposal of non-current assets	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	2,566	0	2,566
124,373	(7,129)	117,244	Total other operating expenditure	71,732	(10,483)	61,249

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Restated 2019/20 Gross Expenditure £000s	Restated 2019/20 Gross Income £000s	Restated 2019/20 Net Expenditure £000s		2020/21 Gross Expenditure £000s	2020/21 Gross Income £000s	2020/21 Net Expenditure £000s
167,171	(175,334)	(8,163)	Financing and investment income and expenditure (Note 6)	155,534	(160,095)	(4,560)
44,150	(712,691)	(668,541)	Taxation and non-specific grant income and expenditure	40,757	(734,531)	(693,774)
1,904,034	(1,824,570)	79,464	Deficit / (surplus) on provision of services	1,837,647	(1,871,014)	(33,369)
309,586	(331,464)	(21,878)	Share of operating results of joint venture (Note 9)	253,410	(63,829)	189,581
98	0	98	Tax expenses of subsidiary	201	0	201
21,229	0	21,229	Tax expenses of joint venture (Note 9)	15,052	0	15,052
2,234,947	(2,156,034)	78,913	Group Deficit on provision of services	2,106,310	(1,934,843)	171,466

Restated 2019/20 Net Expenditure £000s		2020/21 Net Expenditure £000s
(76,583)	(Surplus) on revaluation of non-current assets	(151,827)
12,357	Impairment losses on non-current assets charged to the revaluation reserve	7,996
(335,501)	Remeasurements of the net defined benefit liability	297,623
108,607	Share of other comprehensive income and expenditure of joint ventures	44,762
	Items that will be subsequently classified in Deficit on Provision of Services	
980	Deficit from investments in equity instruments designated at fair value through other comprehensive income	2,734
(290,141)	Total other comprehensive income and expenditure	201,288
(211,229)	Total comprehensive income and expenditure	372,755

Group Movement In Reserves Statement

This statement shows the movement in the year on the Council's single entity usable and unusable reserves, as well as the Council's share of the group reserves.

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total Usable Reserves	Total Unusable Reserves	Council Share of Group Reserves	Total Group Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2019	(353,784)	(104,452)	(81,860)	(57,516)	(2,913)	(600,525)	(1,603,119)	(945,591)	(3,149,235)
Movement in reserves during 2019/20									
Total comprehensive income and expenditure	21,059	(15,483)	0	0	0	5,576	(398,747)	181,942	(211,229)
Total adjustments between accounting basis and funding basis under regulations	(49,070)	10,489	(14,989)	(46,538)	485	(99,622)	99,622	0	0
(Increase) / decrease in year	(28,011)	(4,994)	(14,989)	(46,538)	485	(94,046)	(299,125)	181,942	(211,229)
Balance at 31 March 2020	(381,795)	(109,445)	(96,849)	(104,055)	(2,427)	(694,571)	(1,902,244)	(763,649)	(3,360,464)
Re-classification of Dedicated School Grant (DSG) Reserve	(4,281)	0	0	0	0	(4,281)	4,281	0	0
Balance at 1 April 2020	(386,076)	(109,445)	(96,849)	(104,055)	(2,427)	(698,852)	(1,897,963)	(763,649)	(3,360,464)
Movement in reserves during 2020/2021									

Manchester City Council Annual Statement of Accounts 2020/21

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total Usable Reserves	Total Unusable Reserves	Council Share of Group Reserves	Total Group Reserves
Total comprehensive income and expenditure	(26,372)	(7,968)	0	0	0	(34,341)	156,525	250,571	372,755
Total adjustments between accounting basis and funding basis under regulations	(193,893)	6,247	2,893	10,050	(3,642)	(178,344)	178,344	0	0
(Increase) / decrease in year	(220,265)	(1,721)	2,893	10,050	(3,642)	(212,686)	334,869	250,571	372,755
Balance at 31 March 2021	(606,341)	(111,166)	(93,956)	(94,005)	(6,069)	(911,537)	(1,563,094)	(513,079)	(2,987,709)

*A breakdown of the Council's usable and unusable reserves can be found in the Council's accounts Notes 12,40 and 41.

The Council's share of the group reserves include accounting adjustments to align accounting policies for property, plant and equipment and government grants.

The Council's share of group reserves are split between usable reserves and unusable reserves. The unusable reserves include the amounts to align the accounting policies plus the share of other comprehensive income and expenditure of the joint venture and subsidiary.

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Group Balance Sheet

31 March 2020 £000s		Note	31 March 2021 £000s	
	Non-current assets			
2,558,703	Property, plant and equipment	10	2,767,443	
604,821	Heritage assets		635,802	
475,227	Investment properties		476,130	
324	Intangible non-current assets		4,509	
887,440	Long-term investment in joint venture / subsidiaries and associates	11	635,502	
12,536	Other long-term investments	11	12,403	
293,824	Long-term debtors	12	430,226	
4,832,875	Total non-current assets			4,962,015
	Current assets			
20,098	Short term investments		0	
592	Inventories		583	
172,096	Short-term debtors	12	212,762	
141,825	Cash and cash equivalents	13	58,639	
9,474	Short-term assets held for sale		6,339	
344,085	Total current assets			278,323
5,176,960	Total assets			5,240,338
	Current liabilities			
(32,904)	Short-term borrowing		(184,675)	
(224,865)	Short-term creditors	14	(241,293)	
(31,570)	Short-term provisions		(19,992)	
(11,453)	Short-term deferred liabilities	15	(12,143)	
(300,792)	Total current liabilities			(458,103)
4,876,168	Total assets less current liabilities			4,782,235
	Long-term liabilities			
(1,243)	Long-term creditors		(1,026)	
(73,159)	Long-term provisions		(110,306)	
(585,397)	Long-term borrowing		(578,556)	
(156,589)	Long-term deferred liabilities	15	(145,762)	
(9,743)	Capital grants receipts in advance		(9,420)	
(689,573)	Pensions liability		(949,456)	
(1,515,704)	Total long-term liabilities			(1,794,526)
3,360,464	Net assets			2,987,709
	Financed by:			
(698,852)	Usable reserves			(911,537)
(1,897,963)	Unusable reserves			(1,563,094)
(763,649)	Group income and expenditure reserve			(513,079)
(3,360,464)	Total reserves	16		(2,987,709)

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Group Cash flow statement

The cash flow statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

2019/20 £000s		Note	2020/21 £000s
(78,913)	Net deficit on the provision of services		(171,466)
251,506	Adjustments to net deficit / surplus on the provision of services for non-cash movements	18	91,135
(74,719)	Adjustments for items included in the net deficit / surplus on the provision of services that are investing and financing activities	19	108,124
97,873	Net cash flows from operating activities		27,792
(87,929)	Investing activities	21	(243,206)
20,087	Financing activities	22	132,228
30,031	Net increase / (decrease) in cash and cash equivalents		(83,186)
111,793	Cash and cash equivalents at the beginning of the reporting period		141,825
141,825	Cash and cash equivalents at the end of the reporting period	13	58,639

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Notes to the Group Accounts

Note 1. Reconciliation of the Single Entity Comprehensive Income and Expenditure Statement Surplus to the Group Comprehensive Income and Expenditure Statement Deficit

This shows how the group entities have contributed to the overall deficit shown in the group income and expenditure account.

2019/20 £000s		2020/21 £000s
5,576	Deficit /(Surplus) on the Authority's single entity Income and Expenditure Account for the year	(34,341)
775	Distribution from group entities included in the Authority's single entity deficit / surplus on the Income and Expenditure Account	706
2,461	Add deficit attributable to subsidiary (note 8)	468
70,101	Add deficit attributable to joint venture including dividends paid (after corporation tax)	204,632
78,913	Group income and expenditure account deficit for the year	171,466

Note 2. Group Accounting Policies

Introduction

As a modern local authority Manchester City Council often chooses to conduct activities through a variety of undertakings, either under ultimate control of or in partnership with other organisations. The standard financial statements consider the Council only as a single entity, accounting for its interests in other organisations only to the extent of its investment, and not current performance and balances. Thus, a full picture of the Council's economic activities, financial position, service position, accountability for resources and exposure to risk is not presented in the Council's single entity financial statements.

As a result, group financial statements are produced to reflect the extent of Manchester City Council's involvement with its group undertakings in order to provide a clearer picture of the Council's activities as a group. The group accounts contain core financial statements similar to those included in the Council's single entity statements, consolidated with figures from organisations considered to be part of the group.

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

Manchester City Council Annual Statement of Accounts 2020/21

The group statements include:

- Group Comprehensive Income and Expenditure Statement
- Group Movement in Reserves Statement
- Group Balance Sheet
- Group Cash Flow Statement.

The group financial statements are presented in accordance with the IFRS based Code.

Notes to the Group Accounts are included where they are materially different to the single entity accounts.

Manchester City Council Group

Inclusion in the Manchester City Council Group is dependent upon the extent of the Council's interest and control over the entity. An assessment of all of the Council's interests has been carried out to determine which of the following categories they fall under. Where an entity is considered to be immaterial, they are not included in the group accounts.

Subsidiaries – where the Council exercises control and gains benefits / exposure to risks arising from this control. Subsidiaries of the Council have been considered for materiality; Destination Manchester Limited (DML) is the only subsidiary consolidated into the Council's group accounts. The Council owns 100% of DML.

Associates – where the Council exercises a significant influence and has a participating interest. Associates of the Council have been considered for materiality; there are no associates consolidated into the Council's group accounts.

Joint Ventures - where the Council and another party exercise joint control with decisions relating to the organisation requiring unanimous consent of the parties sharing control. Those entities considered to be material are included in the group. Joint Ventures are accounted for on an equity basis, by including their net operating results in the group income and expenditure account. Investments in these entities are adjusted on the balance sheet for the Council's share of their results. The group contains one material joint venture which is Manchester Airports Holdings Limited (MAHL). The Council owns 35.5% of MAHL. MAHL owns Manchester, Stansted and East Midlands airports.

Manchester Airports Holdings Limited audited accounts are available at their website

The Group Accounts have been prepared in accordance with the 2020/21 Code of Practice for Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Consolidation of Subsidiary

The Council's subsidiary has been consolidated using the acquisition accounting basis. This is a full, line by line consolidation of the financial transactions and balances of the Council and its subsidiary. To avoid overstating the figures within the

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group financial statements, all transactions and balances between members of the group (the Council and its subsidiary) have been eliminated.

Consolidation of Joint Venture

The Council's joint venture has been consolidated using the equity method. An investment is brought into the group balance sheet and adjusted by the Council's share in the joint venture's net asset movement. The Council's share of the joint venture's operating results for the year is included within the group income and expenditure account.

Non-Current Assets

Non-current assets have been consolidated using the valuation basis specified by the Code, unless the entity has a distinct class of asset that the Council does not recognise. In this case the entity's valuation basis was used.

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

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

Where group organisations use different accounting policies to the Council, their accounts have been restated to align their accounting policies with those of the Council where the effect of not doing so would be material to the reader's interpretation of the accounts.

Manchester Airport Holdings Limited (MAHL) accounts are prepared using deemed cost for land and buildings. Deemed cost is the cost or valuation of assets as at 1 April 2005. Consequently property, plant and equipment is included in MAHL's accounts at cost or deemed cost less accumulated depreciation. A valuation of MAHL's land and building assets has been undertaken in order to align the accounting policy with that of the Council. This valuation has been used for the Council's group accounts. In undertaking this valuation specialised assets, such as airport terminals, have been valued at depreciated replacement cost using the modern equivalent asset method and income generating assets, such as car parks, have been valued at market value.

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

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

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Council. This valuation has been used for the Council's group accounts. The Convention Centre and its car parks have been valued at market value.

International Financial Reporting Standards (IFRS)

The Council produces its financial statements in accordance with IFRS. Where UK GAAP is still being used by group entities, their financial statements are adjusted to reflect IFRS where any changes have a material effect on the presentation of the group financial statements.

Market conditions explanatory note: Novel Coronavirus (Covid-19)

The outbreak of Covid-19 has and continues to impact many aspects of daily life and the global economy with some real estate markets having experienced lower levels of transactional activity and liquidity.

The pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally. At the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, the valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards, except as identified below.

Material valuation uncertainty

In respect of airport carparking, as at the valuation date we continue to be faced with an unprecedented set of circumstances caused by Covid-19 leading to uncertainty surrounding foreign travel. This makes forecasting carpark revenues in the short term extremely challenging which in turn impacts on both carparking values and saleability. The valuation of the airport carparks is therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.

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Note 3. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates etc.) by local authorities in comparison to those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how the expenditure is allocated between Directorates. Income and expenditure accounted for under generally accepted accounting practice is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20					2020/21					
Restated As reported to Members £000	Restated Adjustments to arrive at net amount chargeable to the group general balances (Note 4a) £000	Restated Net expenditure chargeable to the group general balances £000	Restated Adjustments between funding and accounting basis £000	Restated Net expenditure in the Comprehensive Income and Expenditure Statement £000		As reported to Members £000	Adjustments to arrive at net amount chargeable to the group general balances (Note 4a) £000	Net expenditure chargeable to the group general balances £000	Adjustments between funding and accounting basis £000	Net expenditure in the Comprehensive Income and Expenditure Statement £000
205,222	(1,091)	204,131	8,484	212,615	Adult Social Care	239,298	(43,507)	195,791	7,134	202,925
14,235	(3,828)	10,407	1,420	11,827	Homelessness	25,200	(9,471)	15,730	1,135	16,864
122,491	19,696	142,187	38,580	180,767	Children's Services	133,911	(13,442)	120,469	33,925	154,394
66,814	3,186	70,000	14,810	84,810	Corporate Core	102,029	(30,613)	71,416	12,830	84,246
94,884	(21,556)	73,328	45,718	119,046	Neighbourhoods and Highways	127,646	(64,202)	63,444	55,650	119,094
7,826	14,964	22,790	23,172	45,962	Growth and Development	15,693	9,924	25,617	15,131	40,748
5,294	(10,958)	(5,664)	4	(5,660)	Corporate Items	7,685	(3,152)	4,533	(8,161)	(3,628)
0	(547)	(547)	8,276	7,729	Council-Wide Costs	0	0	0	4,775	4,775

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(4,993)	(5,068)	(10,061)	(10,490)	(20,551)	Housing Revenue Account	(1,723)	(8,008)	(9,731)	(6,246)	(15,977)
0	2,379	2,379	0	2,379	Destination Manchester Ltd	0	277	277	0	277
511,773	(2,823)	508,950	129,974	638,925	Net Cost of Services	649,741	(162,194)	487,546	116,172	603,718
(516,074)	46,910	(469,164)	(90,848)	(560,012)	Other Income and Expenditure	(655,317)	(53,939)	(709,256)	277,007	(432,250)
(4,301)	44,087	39,786	39,126	78,913	Deficit on Provision of Services	(5,578)	(216,133)	(221,710)	393,179	171,466

2019/20		2020/21	
Restated As reported to Members £000	Restated Net expenditure chargeable to the group general balances £000	As reported to Members £000	Net expenditure chargeable to the group general balances £000
Opening Group General Reserves	1,074,722	Opening Group General Reserves	1,039,217
(Deficit) on Group General Reserves in year	(39,786)	(Deficit) on Group General Reserves in year	221,710
Closing Group General Reserves at 31 March	1,034,936	Closing Group General Reserves at 31 March	1,260,927
Add new statutory accounting practices in relation to the treatment of local authorities' schools budget deficits	4,281		
Re-stated Closing General Fund and HRA Reserves at 31 March	1,039,217		

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Note 4. Note to the Expenditure and Funding Analysis

(a) Restated Adjustments to arrive at net amount chargeable to the group general balances 2019/20

Other Adjustments	Adjustments relating to other income and expenditure (i)	Restated Adjustments relating to transfers to / from reserves (ii)	Restated Adjustments relating to internal recharges (iii)	Restated Total Adjustments
	£000	£000	£000	£000
Adult Social Care	(315)	1,805	(2,581)	(1,091)
Homelessness	0	183	(4,011)	(3,828)
Children's Services	2,022	17,629	45	19,696
Corporate Core	(3,734)	98	6,822	3,186
Neighbourhoods and Highways	(24,766)	7,002	(3,792)	(21,556)
Growth and Development	13,753	927	284	14,964
Corporate Items	(10,191)	(998)	231	(10,958)
Council-Wide Costs	(547)	0	0	(547)
Housing Revenue Account	(5,068)	0	0	(5,068)
Destination Manchester Ltd	2,379	0	0	2,379
Net Cost of Services	(26,467)	26,646	(3,002)	(2,823)
Other Income and Expenditure from the Expenditure and Funding Analysis	99,256	(55,348)	3,002	46,910
Difference between General Fund and HRA Surplus and Comprehensive Income and Expenditure Statement Deficit on the Provision of Services	72,789	(28,702)	0	44,087

The 2019/20 figures have been restated as a result of restatements in the single entity.

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(b) Adjustments to arrive at net amount chargeable to the group general balances 2020/21

Other Adjustments	Adjustments relating to other income and expenditure (i)	Adjustments relating to transfers to / from reserves (ii)	Adjustments relating to internal recharges (iii)	Adjustments relating to COVID grants (iv)	Total Adjustments
	£000	£000	£000	£000	£000
Adult Social Care	(2,158)	(25,799)	(1,153)	(14,397)	(43,507)
Homelessness	(1,094)	22	(6,330)	(2,068)	(9,471)
Children's Services	414	(9,647)	(730)	(3,479)	(13,442)
Corporate Core	(2,579)	(12,128)	8,727	(24,633)	(30,613)
Neighbourhoods and Highways	(29,249)	(14,249)	(2,048)	(18,656)	(64,202)
Growth and Development	9,935	1,479	1,292	(2,783)	9,924
Corporate Items	(4,127)	525	451	0	(3,152)
Housing Revenue Account	(8,008)	0	0	0	(8,008)
Destination Manchester Ltd	277	0	0	0	277
Net Cost of Services	(36,589)	(59,797)	209	(66,017)	(162,193)
Other Income and Expenditure from the Expenditure and Funding Analysis	36,864	(156,612)	(209)	66,017	(53,941)
Difference between General Fund and HRA Deficit and Comprehensive Income and Expenditure Statement Deficit on the Provision of Services	275	(216,410)	0	0	(216,133)

(i) Adjustments relating to other income expenditure include service specific interest payments and receipts which are reported as part of service costs in the outturn report.

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(ii) Transfers to and from reserves which form part of the outturn report but are not shown within the CIES.

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

(iv) COVID grants were provided by Government in 2020/21 in response to the COVID 19 pandemic. This reflects service specific COVID grants recorded corporately in the outturn report and shown within the service area in the CIES.

Note 5. 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	Note
Interest payable on debt	23,217	23,947	a
Interest payable on PFI unitary payments	12,317	11,497	
Net interest on the net defined benefit liability	23,436	16,731	
Investment Interest income	(26,311)	(34,682)	b
Change in fair value of investment properties	(25,194)	(13,878)	
Dividends receivable	(310)	(380)	c
Impairment loss allowance on debtors	4,672	10,286	
Impairment of financial assets	547	228	
(Gain) on trading accounts (not applicable to a service)	(8)	37	
Rentals received on investment properties	(22,840)	(21,125)	
Expenses incurred on investment properties	2,858	2,779	
Total financing and investment income and expenditure	(7,616)	(4,560)	

a. Interest Payable

These figures represent the external interest payable by the group as follows:

	2019/20 £000s	2020/21 £000s
Manchester City Council	22,442	23,241
Destination Manchester Limited	775	706
Total	23,217	23,947

b. Investment Interest Income

	2019/20 £000s	2020/21 £000s
Manchester City Council	(26,294)	(34,673)
Destination Manchester Limited	(17)	(9)
Total	(26,311)	(34,682)

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The above figures include consolidation adjustments where transactions between the Council and the subsidiary are eliminated for the purpose of preparing the group accounts.

c. Dividends Receivable

The dividends receivable figure in the single entity accounts has been adjusted to exclude dividends received from Group entities.

Note 6. Exclusion of Distributions from Group Entities Included in Manchester City Council's Single Entity Accounts

Related party transactions between the Council and Destination Manchester Limited have been removed from the group income and expenditure account on consolidation. In 2020/21 the amount removed was £704,000 (£775,000 in 2019/20).

Note 7. Deficit Attributable to Subsidiaries

This figure represents the total group deficit attributable to Manchester City Council's subsidiary including the adjustments made for intra group transactions. The share of operating results of the subsidiary are included within the service gross income / expenditure that they relate to.

	2019/20 £000s	2020/21 £000s
Destination Manchester Limited	2,461	468
Total (Surplus) / Deficit	2,461	468

Note 8. Surplus / (Deficit) Attributable to Joint Venture

This figure represents the total surplus attributable to Manchester Airports Holdings Limited:

	2019/20 £000s	2020/21 £000s
(Surplus) / deficit before tax	(21,878)	189,581
Tax expenses	21,229	15,052
(Surplus) / Deficit after tax	(649)	204,632

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Note 9. Expenditure and Income Analysis

	2019/20 £000	2020/21 £000
Expenditure		
Employee Benefit Expenses	543,083	541,625
Other Service Expenses	871,091	931,456
Business Rates Tariff	40,398	39,534
Capital Charges including Depreciation and impairment	172,822	136,947
Interest Payments	56,154	35,444
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 (general fund)	52,586	0
Share of operating results of joint venture	310,241	253,410
Corporation Tax	21,327	15,253
Total Expenditure	2,234,947	2,106,310
Income		
Fees, Charges and Other Service Income	(208,577)	(231,463)
Interest and Investment Income	(96,597)	(44,520)
Return on Pension Assets	(72,570)	(64,178)
Capital Charges related income	(170,552)	(52,652)
Income from Council Tax	(161,477)	(172,577)
Business Rates Income	(330,268)	(161,520)
Government Grants and Contributions	(777,399)	(1,133,621)
Share of operating results of joint venture	(331,464)	(63,829)
Gain on Disposal of Fixed Assets (HRA)	(7,129)	(10,483)
Total Income	(2,156,583)	(1,934,843)
Deficit on the Provision of Services	78,913	171,466

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Note 10. Property Plant and Equipment

Movements on tangible non-current assets in the group during 2020/21 were as follows:

	Property, Plant and Equipment							Total
	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	
Gross book value brought forward	568,262	1,214,607	126,025	676,326	33,814	114,256	138,909	2,872,199
Accumulated depreciation and impairment brought forward	(101)	(85,316)	(64,388)	(158,794)	(854)	0	(4,043)	(313,496)
Net Book Value carried forward as at 31 March 2020	568,161	1,129,291	61,637	517,532	32,960	114,256	134,866	2,558,703
Movement in 2020/2021								
Additions	13,576	16,895	6,570	45,542	259	109,568	14,423	206,833
Revaluations recognised in revaluation reserve	83,610	35,869	0	0	0	0	11,623	131,102
Revaluations recognised in deficit on the provision of services	(675)	(37,408)	0	0	0	0	(3,393)	(41,476)
Derecognition – disposals	0	(2,812)	(206)	0	0	0	0	(3,018)
Transferred from held for sale	(2,950)	0	0	(628)	0	0	2,045	(1,533)
Other transfers	159	10,586	(95)	(1,488)	4	(7,062)	1,326	3,430
Newly recognised assets - leased assets / PFI assets	(11,416)	0	100	0	0	12,558	0	1,242
Depreciation	(19,274)	(26,362)	(10,554)	(21,963)	0	0	(706)	(78,859)
Reversal of prior year impairment	(7,996)	(946)	0	0	0	0	0	(8,942)
Net Book Value carried forward as at 31 March 2021	623,195	1,125,113	57,416	538,995	33,223	229,320	160,184	2,767,443
Gross book value carried forward as at 31 March 2021	623,171	1,221,395	132,394	719,548	34,077	229,320	163,044	3,122,949

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	Property, Plant and Equipment							Total
	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	
Accumulated depreciation and impairment carried forward as at 31 March 2021	24	(96,282)	(74,978)	(180,556)	(853)	0	(2,860)	(355,506)
Net Book Value carried forward as at 31 March 2021	623,195	1,125,113	57,416	538,992	33,224	229,320	160,184	2,767,443

Movements on tangible non-current assets in the group during 2019/20 were as follows:

	Property, Plant and Equipment							Total
	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	
Gross book value brought forward	576,037	1,251,415	115,571	618,424	32,249	81,602	142,871	2,818,169
Accumulated depreciation and impairment brought forward	(25,653)	(83,134)	(56,306)	(137,836)	(853)	0	(9,643)	(313,425)
Net book value carried forward as at 31 March 2019	550,384	1,168,281	59,265	480,588	31,396	81,602	133,228	2,504,744
Movement in 2019/20								
Additions	18,428	12,217	10,311	51,978	1,511	56,682	4,412	155,539
Revaluations recognised in revaluation reserve	26,894	44,187	231	0	0	0	(1,152)	70,160

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	Property, Plant and Equipment							Total
	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	
Revaluations recognised in deficit on the provision of services	(5,031)	(6,810)	0	0	0	0	(1,230)	(13,071)
Derecognition - disposals	0	(50,219)	(105)	0	0	0	0	(50,324)
Transferred from held for sale	(7,461)	0	0	0	0	0	(4,880)	(12,341)
Other transfers	(2,885)	(2,458)	(239)	5,925	53	(24,028)	5,161	(18,471)
Newly recognised assets - Leased assets / PFI assets	16,447	0	2,069	0	0	0	0	18,516
Depreciation	(17,822)	(29,293)	(9,866)	(20,959)	0	0	(673)	(78,613)
Impairments covered by the revaluation reserve		(828)	(29)	0	0	0	0	(857)
Reversal of prior year impairment	(10,793)	(5,786)	0	0	0	0	0	(16,579)
Net Book Value carried forward as at 31 March 2020	568,161	1,129,291	61,637	517,532	32,961	114,256	134,866	2,558,703
Gross book value carried forward as at 31 March 2020	568,262	1,214,607	126,025	676,326	33,814	114,256	138,909	2,872,199
Accumulated depreciation and impairment carried forward as at 31 March 2020	(101)	(85,316)	(64,388)	(158,794)	(853)	0	(4,043)	(313,495)
Net Book Value carried forward as at 31 March 2020	568,161	1,129,291	61,637	517,532	32,961	114,256	134,866	2,558,703

Note 11. Long-term Investments

	31 March 2020 £000s	31 March 2021 £000s
Investments in organisations included in the group statements		
Manchester Airports Holdings Ltd	874,913	624,792
Investments in subsidiaries not included in the group statements		
Manchester Mortgage Corporation Plc Share Capital	146	142
Investments in associates not included in the group statements		
National Car Parks (Manchester) Ltd Share Capital	2,147	0
Eastlands Development Company Limited	1,155	1,155
Mayfield Developments	4,000	4,000
Matrix Homes Ltd	5,079	5,413
	887,440	635,502
Total other long-term investments	12,536	12,403
Total Long-Term Investments	899,976	647,905

Further details can be found in the Council's accounts Note 33.

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Note 12. Debtors

As the balance sheet date represents the position at the end of the financial year, there are monies owed to the Group at that date which are yet to be received in cash. The following analysis shows the amounts owed to the Group which had not been received at 31 March 2021. Amounts owed to the Council by Destination Manchester Ltd have been removed as they are classed as intra-company transactions.

The Council also makes provision for outstanding monies which it is anticipated will not be recovered. These amounts are then deducted from the total value of debtors shown in the accounts.

	31 March 2020 £000s	31 March 2021 £000s
Short-term debtors - Manchester City Council		
Manchester City Council debtors and payments in advance	170,856	213,410
Adjustments for intra-company transactions	(2,244)	(3,248)
	168,611	210,162
Short-term debtors - Destination Manchester Limited		
Trade debtors	2,595	1,161
Corporation tax	98	201
Other debtors	792	1,321
Total	172,096	212,762

Further details can be found in the Council's accounts Note 34.

These are amounts that are owed to the Group which are being repaid over various periods longer than one year. Long-term debt which has become due in less than twelve months has been reclassified as short-term debt. Long-term debt owed to the Council by Destination Manchester Ltd has been removed from the group accounts as it is classed as an intra-company transaction.

	31 March 2020 £000s	31 March 2021 £000s
Long-term debtors		
Manchester Airports Holdings Limited	218,713	356,098
Ex GMC debt	24	0
PFI prepayments	23,156	21,400
Private Sector Housing Loans	10,842	11,349
Equity Mortgages	2,952	2,163
Matrix Homes	8,889	9,561

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	31 March 2020 £000s	31 March 2021 £000s
Long-term debtors		
Biffa Municipal	4,379	3,974
Other	2,985	2,016
Manchester Quays Riverside	4,288	4,287
Manchester College	17,596	19,378
Total	293,824	430,226

Further details can be found in the Council's accounts Note 34.

Note 13. Analysis of Bank Overdraft and Cash and Cash Equivalents

	31 March 2020 £000s	31 March 2021 £000s
Bank Overdraft and Cash and Cash equivalents		
Cash at bank and in hand	33,526	31,260
Call accounts	8,269	27,379
Investments less than 3 months	100,030	0
Total	141,825	58,639

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Note 14. Short-Term Creditors

As the Group's Balance Sheet represents the financial position at the end of the financial year, these are monies owed by the Group at that date which have yet to be paid. There are also amounts which the Council has received before the end of the financial year which relates to services which have not yet been provided. This analysis shows the amounts owed which had not yet been paid and the amounts received in advance as at 31 March 2021. Amounts owed by the Council to Destination Manchester Ltd have been removed as they are classed as intra-company transactions.

	31 March 2020 £000s	31 March 2021 £000s
Manchester City Council	216,596	234,867
Adjustments for intra-company transactions (trade creditors)	(334)	(148)
	216,262	234,719
Destination Manchester Limited		
Trade Creditors	1,411	313
Accruals and deferred income	6,970	5,176
Other taxes and social security costs	222	1,085
Total	224,865	241,293

Further details can be found in the Council's accounts Note 35.

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Note 15. Deferred Liabilities

	31 March 2020	Repaid in year £000s	Additions in year £000s	31 March 2021 £000s	Short Term 31 March 2021 £000s	Long Term 31 March 2021 £000s	Short Term 31 March 2020 £000s	Long Term 31 March 2020 £000s
Ex GMC debt	5,146	2,503	2,643	2,654	2,654	0	2,503	2,643
Private Finance Initiatives	155,998	8,205	147,792	148,934	8,723	140,211	8,205	147,792
Service Concession	5,506	745	4,761	4,824	766	4,058	745	4,761
Deferred taxation (Destination Manchester Ltd)	1,392	0	102	1,494	0	1,494	0	1,392
Total	168,042	11,453	155,299	157,906	12,143	145,762	11,453	156,589

Note 16. Group Reserves

	31 March 2020 £000s	31 March 2021 £000s
Usable Reserves		
Manchester City Council *	694,571	911,537
Unusable Reserves		
Manchester City Council *	1,902,244	1,563,094
Group Income and Expenditure Reserve		
Manchester Airports Holdings Ltd - usable	459,850	319,446
Manchester Airports Holdings Ltd - unusable	300,838	183,619
Destination Manchester Ltd - usable	3,214	953
Destination Manchester Ltd - unusable	(253)	9,061
Total Group Income and Expenditure Reserve	763,649	513,079
Total	3,360,464	2,987,709

* Further detail can be found in the Council's accounts Notes 40 and 41.

Note 17. Related Party Transactions

As at 31 March 2021 the amount of loans outstanding owed by Manchester Airports Holdings Limited to Manchester City Council was £356.098m (£218.713m at 31 March 2020).

Destination Manchester Limited had outstanding loans from the Council of £16.407m at 31 March 2021 (£17.157m at 31 March 2020).

The Director of Destination Manchester Limited during 2020/21 was Carol Culley, Deputy Chief Executive and City Treasurer.

There is one non-executive Director on the board of Manchester Airports Holdings Limited who is a representative of the Council. This was Councillor Sir Richard Leese, Leader of the Council.

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Note 18. Cash Flow Statement - Adjustments to net deficit / surplus on the provision of services for non-cash movements

	2019/20 £000s	2020/21 £000s
Depreciation of non-current assets	77,109	77,512
Impairment of non-current assets	13,930	41,513
Amortisation of intangible non-current assets	85	64
Pension fund adjustments	72,468	48,688
Movement in market value of investment property	(25,195)	(13,878)
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/ (from) 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	19,323	3,276
(Increase) / decrease in inventories	(27)	(36)
(Increase) / decrease in debtors (less capital)	(19,764)	(65,934)
(Increase) / decrease in interest debtors	(13,768)	(32,060)
Increase / (decrease) in creditors (less capital)	50,821	15,919
Increase / (decrease) in interest creditors	(76)	905
Total	251,506	91,135

Note 19. Cash Flow Statement - Adjustments for items included in the net deficit / surplus on the provision of services that are investing and financing activities

	2019/20 £000s	2020/21 £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)
Other adjustments for items included in the net deficit / surplus on the provision of service that are investing or financing activities	69,758	(11,109)
Total	(74,719)	108,124

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Note 20. Cash Flow Statement - Operating Activities

The cash flows for 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	(310)	(380)
Taxation	413	8
Total	16,105	31,021

Note 21. Cash Flow Statement - Investing Activities

	2019/20 £000s	2020/21 £000s
Purchase of plant, property and equipment, investment property and intangible assets	(227,738)	(317,243)
Purchase of short term and long-term investments	(1,870)	(4,230)
Proceeds 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	28,506
Total	(87,929)	(243,206)

Note 22. Cash Flow Statement - Financing Activities

	2019/20 £000s	2020/21 £000s
Repayments of long and short 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)
Grant Funding Received	0	750
Net cash flows from financing activities	20,087	132,228

Note 23. Post Balance Sheet Event

In the 3 March 2021 Chancellor's Budget it was announced that the UK corporation tax rate will increase to 25% from 1 April 2023. This announcement, when enacted, will have an effect on Manchester Airports Holdings Ltd.'s future tax charge. If this rate change had been substantively enacted at the current balance sheet date the net deferred tax liability would have increased by £60.5m. The effect on the Manchester City Council Group would be £21.5m.

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). Noncurrent 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

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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

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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

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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 affect the settlement.

Unobservable Inputs

Inputs for which market data is not available and that are developed to estimate fair value using the best information available to the Council about the assumptions that buyers or sellers would use when pricing the asset or liability. The most significant of these inputs used in fair value measurement include management assumptions around rent growth and vacancy levels of properties.



Annual Governance Statement 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.

1.3 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.

1.4 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.

1.5 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.

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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	<ul style="list-style-type: none"> • 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; <ul style="list-style-type: none"> ○ 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	<ul style="list-style-type: none"> • 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

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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
Respecting the Rule of Law	<ul style="list-style-type: none"> The Council's City Solicitor undertakes the role of Monitoring Officer. The Monitoring Officer ensures that Council decisions are taken in a lawful and fair way, correct procedures are followed, and that all applicable laws and regulations are complied with. 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). 	<p>Our Constitution (article 12.3(b))</p> <p>Our Constitution (article 12.4(a))</p>

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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	<ul style="list-style-type: none"> 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. 	<p>manchester.gov.uk website</p> <p>Council Meeting Agendas and Reports</p> <p>Online Videos of Council Meetings</p>
Engaging Comprehensively with Institutional Stakeholders	<ul style="list-style-type: none"> 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. 	<p>Our Manchester Forum</p>

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	<ul style="list-style-type: none"> 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. 	<p>Register of Significant Partnerships</p>
<p>Engaging with Individual Citizens and Service Users Effectively</p>	<ul style="list-style-type: none"> 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). 	<p>Our Manchester Strategy – Forward to 2025</p> <p>E-bulletins and Social Media</p> <p>Our Manchester Campaigning Engagement Framework</p>

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits		
The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
Defining Outcomes	<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> ○ 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 	Our Manchester Strategy – Forward to 2025

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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
	<p>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;</p> <ul style="list-style-type: none"> ○ Zero carbon Manchester ○ Growth that benefits everyone ○ Young People ○ Healthy, Cared for people ○ Housing ○ Neighbourhoods ○ Connections ○ Equality ○ Well-managed Council 	
Sustainable Economic, Social and Environmental Benefits	<ul style="list-style-type: none"> • 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 	<p>Climate Change Action Plan 2020-25</p> <p>Climate Change Action Plan – progress report</p>

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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
	<p>resilient city with a diverse economy and strengths in key growth sectors, as well as strong existing partnerships and a track record of delivery.</p> <ul style="list-style-type: none"> • 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. 	<p>Powering Recovery: Manchester's Recovery and Investment Plan</p> <p>Developing a More Inclusive Economy - Our Manchester Industrial Strategy</p> <p>Refresh of the Social Value Policy</p>

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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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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

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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
Optimising Achievement of Intended Outcomes	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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; 	Our People

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E. Developing the entity's capacity, including the capability of its leadership and the individuals within it		
The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
	<ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • 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. 	<p>Future Shape of the Council</p>
Developing the Capability of the Organisation's Leadership and Other Individuals	<ul style="list-style-type: none"> • 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. • 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. 	<p>Member Development and Training</p>

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E. Developing the entity's capacity, including the capability of its leadership and the individuals within it		
The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
	<ul style="list-style-type: none"> 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'. 	<p>Being Our Best Selves</p>

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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

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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 	

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F. Managing risks and performance through robust internal control and strong public financial management		
The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
	<p>support effective resource allocation, and to shine a light on any challenges so that they can be addressed.</p> <ul style="list-style-type: none"> • A Corporate Plan Monitor is provided quarterly to SMT, tracking progress of delivery of our Corporate Plan priorities. 	
Effective Overview and Scrutiny	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 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 	Internal Audit Plan 2021/22

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F. Managing risks and performance through robust internal control and strong public financial management		
The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
	<p>provides a mechanism for effective assurance regarding risk management and the internal control environment.</p> <ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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- 	Freedom of Information

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F. Managing risks and performance through robust internal control and strong public financial management		
The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
	<p>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.</p> <ul style="list-style-type: none"> 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. 	
Strong Public Financial Management	<ul style="list-style-type: none"> 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 	<p>Our Constitution (Part 5)</p>

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F. Managing risks and performance through robust internal control and strong public financial management		
The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
	<p>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.</p> <ul style="list-style-type: none"> • The Financial Management Code (FM Code) sets out the standards of financial management expected for local authorities and is designed to support good practice and to assist local authorities in demonstrating their financial sustainability. The FM Code was launched in 2019, to be implemented from April 2020 with the commencement of a shadow year. It is expected that by 31 March 2021 Local Authorities can demonstrate that they are working towards full implementation of the code, with the first full year of compliance being 2021/22. The Council's preparations for this are set out in the Budget Overview 2021/22 report. • 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. 	<p>Budget Overview and Strategy for 2021/22</p> <p>Budget Overview and Strategy for 2021/22</p>

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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	<ul style="list-style-type: none"> The Council follows the Local Government Transparency Code 2015, which includes requirements and recommendations for local authorities to publish certain types of data. 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. 	<p>Local Government Transparency Code</p> <p>manchester.gov.uk website</p>
Implementing Good Practices in Reporting	<ul style="list-style-type: none"> 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. 	<p>State of the City 2020</p>

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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
	<ul style="list-style-type: none"> A Corporate Plan Monitor is provided quarterly to SMT, tracking progress of delivery of our Corporate Plan priorities. 	
Assurance and Effective Accountability	<ul style="list-style-type: none"> 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. 	<p>Ofsted focused visit</p> <p>Outstanding Audit Recommendations</p>

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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.

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- 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.

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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: <ul style="list-style-type: none"> 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
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.	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.	Deputy Chief Executive & City Treasurer, City Solicitor, Director of HROD.	Resources and Governance Scrutiny Committee

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Action	What action was to be addressed	Governance of actions taken / planned	Officer Leads / Programme Boards	How is this monitored?
	This includes delivery of the updated Our People Strategy.	<p>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.</p> <p>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:</p> <ul style="list-style-type: none"> • 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. 		
3	Our Transformation - ensuring effective governance of all the programmes	A set of linked programmes have brought together work focused on the impact of COVID-19 on the Council, and	Deputy Chief Executive & City	The Executive

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Action	What action was to be addressed	Governance of actions taken / planned	Officer Leads / Programme Boards	How is this monitored?
	involved in strengthening and transforming how we work.	<p>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 Budget planning and the Our Transformation portfolios of work.</p> <p>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:</p> <ul style="list-style-type: none"> • Our Ways of Working • Strengthening Accountability and Our Processes • Resident and Business Digital Experience <p>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.</p>	<p>Treasurer, City Solicitor</p> <p>Future Council Core Group</p>	Scrutiny Committees

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Action	What action was to be addressed	Governance of actions taken / planned	Officer Leads / Programme Boards	How is this monitored?
		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.		
4	Carbon reduction - ensuring that we have robust and effective governance of strategies, which will enable delivery of the 2038 zero carbon targets.	<p>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 development and delivery of the Manchester Climate Change Action Plan 2020-25, which was approved by the Executive in March 2020.</p> <p>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:</p> <ul style="list-style-type: none"> • Buildings and Energy 	<p>Deputy Chief Executive and City Treasurer, Director of Policy, Performance and Reform.</p> <p>Zero Carbon Coordination Group</p>	Neighbourhoods and Environment Scrutiny Committee

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Action	What action was to be addressed	Governance of actions taken / planned	Officer Leads / Programme Boards	How is this monitored?
		<ul style="list-style-type: none"> • 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 		
5	<p>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.</p>	<p>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.</p> <p>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 and wellbeing outcomes and reducing health inequalities in the city.</p>	<p>Director of Adult Social Services, Deputy Chief Executive & City Treasurer</p> <p>Manchester Partnership Board</p> <p>MLCO Accountability Board</p>	<p>Health Scrutiny Committee</p> <p>Health and Wellbeing Board</p>

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Action	What action was to be addressed	Governance of actions taken / planned	Officer Leads / Programme Boards	How is this monitored?
		<p>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.</p> <p>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.</p> <p>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</p>		

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Action	What action was to be addressed	Governance of actions taken / planned	Officer Leads / Programme Boards	How is this monitored?
		<p>Well Being (co-chairing with MFT), the Chief Executive, the Deputy Chief Executive and City Treasurer, and the Strategic Director of Adult Social Care.</p> <p>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.</p>		
6	<p>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</p>	<p>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.</p> <p>The next stage is delivery of Better Outcomes, Better Lives which is</p>	<p>Director of Adult Social Services</p> <p>Transformation Accountability Board</p>	<p>Health Scrutiny Committee</p>

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Action	What action was to be addressed	Governance of actions taken / planned	Officer Leads / Programme Boards	How is this monitored?
	assurance and the transition from Children's to Adults Services provision.	<p>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.</p> <p>A full report on Better Outcomes, Better Lives was taken to March 2021 Health Scrutiny Committee.</p>		
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.	<p>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 ongoing Cyber Security training and awareness programme.</p> <p>The overall aim of the data centre project was to achieve improved</p>	<p>Deputy Chief Executive & City Treasurer, Director of ICT.</p> <p>ICT Board</p>	Resources and Governance Scrutiny Committee

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Action	What action was to be addressed	Governance of actions taken / planned	Officer Leads / Programme Boards	How is this monitored?
		<p>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.</p> <p>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.</p> <p>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.</p>		
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	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	Deputy Chief Executive & City Treasurer, Director of ICT. ICT Portfolio Board	Resources and Governance Scrutiny Committee

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Action	What action was to be addressed	Governance of actions taken / planned	Officer Leads / Programme Boards	How is this monitored?
	interdependence between business critical programmes (e.g. telephony).	<p>robust internal governance processes that aim to ensure controlled and consistent approach to delivery change and provide assurance throughout the delivery lifecycle.</p> <p>Some of the key programmes and projects to be progressed or completed in 2021/22 include, but are not limited to:</p> <ul style="list-style-type: none"> • 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 <p>The Liquidlogic suite of social care products have been operational since July 2019. The final component of this programme is the replacement of the</p>	<p>Design Authority Group</p> <p>Change Assurance Board</p> <p>Strategic Capital Board</p>	

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Action	What action was to be addressed	Governance of actions taken / planned	Officer Leads / Programme Boards	How is this monitored?
		<p>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), Children’s Social Care (CSC), and Education.</p> <p>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.</p> <p>ICT Departmental Management Team will continue to update the priority list of initiatives on an ongoing basis as projects are delivered and to ensure</p>		

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Action	What action was to be addressed	Governance of actions taken / planned	Officer Leads / Programme Boards	How is this monitored?
		<p>continued alignment with the Our Manchester Strategy, Our Transformation Programme and other Council priorities.</p> <p>A full ICT update report was taken to February 2021 Resources and Governance Scrutiny Committee, which provides a detailed update on key projects.</p>		
9	<p>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.</p>	<p>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.</p> <p>The Greater Manchester Preparedness Group is currently still meeting and focuses on issues and civil contingencies at a city region level.</p>	<p>Chief Executive</p> <p>EU Exit Preparedness Group</p>	<p>Economy Scrutiny Committee</p>

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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 chain resilience, building in carbon reduction requirements and reducing reliance on waivers.	<p>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 report to October 2020 Resources and Governance Scrutiny Committee.</p> <p>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.</p> <p>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.</p>	<p>Deputy Chief Executive & City Treasurer, Head of Strategic Commissioning.</p> <p>Social Value Governance Board</p> <p>Commercial Board</p>	Resources and Governance Scrutiny Committee

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Action	What action was to be addressed	Governance of actions taken / planned	Officer Leads / Programme Boards	How is this monitored?
11	<p>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.</p>	<p>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.</p> <p>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.</p> <p>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, 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.</p>	<p>Deputy Chief Executive & City Treasurer, City Solicitor, Director of HROD.</p>	<p>Standards Committee</p>

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 between the work programmes which will deliver the next steps to reshape how	Deputy Chief Executive & City		The Executive

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Action	What action is to be addressed	Who is responsible for delivery		How is this monitored?
		SMT Leads	Directors or Heads of Service	
	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

Manchester City Council Annual Statement of Accounts 2020/21

Action	What action is to be addressed	Who is responsible for delivery		How is this monitored?
		SMT Leads	Directors or Heads of Service	
8	Strengthening the consistency of and accountability involved in the Council's approach to commissioning, procurement and contract management. This includes; improving supply chain resilience, building in carbon reduction requirements and reducing reliance on waivers.	Deputy Chief Executive & City Treasurer	Head of Strategic Commissioning	Resources and Governance Scrutiny Committee
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

Manchester City Council Annual Statement of Accounts 2020/21

Action	What action is to be addressed	Who is responsible for delivery		How is this monitored?
		SMT Leads	Directors or Heads of Service	

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.

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Audit Completion Report - Draft

Manchester City Council
Year ended 31 March 2021

July 2022
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Appendix A: Independence

Appendix B: Other communications

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Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.



Members of the Audit Committee
Manchester City Council
Manchester Town Hall
Manchester
M60 2LA

18 July 2022

Dear Audit Committee Members

Draft Audit Completion Report – Year ended 31 March 2021

We are pleased to present our draft Audit Completion Report for the year ended 31 March 2021. The purpose of this document is to summarise our audit conclusions to date.

The scope of our work, including identified significant audit risks, key audit matters and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 15 June 2021. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks, key audit matters and other areas of management judgement remain appropriate. We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07721 234043.

Yours faithfully

Karen Murray

Partner, Mazars LLP

Mazars LLP
One St Peter's Square
Manchester
M2 3DE

01

Section 01: **Executive summary**

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks, key audit matters and areas of management judgement. The key audit matters that were of most significance in our audit of the Financial Statements for disclosure in our auditor's report:

- Valuation of Council and Group Land & Buildings and Investment Property
- Valuation of the Council's and Group's Defined Benefit Pension Liability

Section 4 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control
- Consolidation of group financial statements.

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; of which unadjusted misstatements total £19.3m. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021. At the time of preparing this report there are some matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through a follow up letter. Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

Based on the work completed we would anticipate issuing an unqualified opinion, without modification, on the financial statements. However we report in section 2, that there is an outstanding national technical issue in respect of the valuation of infrastructure assets. The solution to this issue is subject to discussion and consultation nationally, and the way forward is not yet known. This issue has the potential to impact on our audit opinion on the 2020/21 accounts. We will update the Committee further as more information is available.



Value for Money

We have completed our value for money arrangements work. We have not identified significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our value for money arrangements work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to determine if any work is required in this area until such instructions have been received.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have received correspondence and questions from a member of the public. We have reviewed the matters raised and have concluded there is no further audit action required.



1. Executive summary

COVID-19 impacts

The impact of the COVID-19 pandemic on the audit was significant for a second audit year. Although we have had the full co-operation of the finance team and Council management through the audit, the remote working of our audit team and the Council's staff has inevitably meant that the audit work took longer to complete and finalise than would ordinarily be the case.







02


Section 02: **Status of the audit**


2. Status of the audit

Our work is nearing completion. The outstanding matters are detailed below. Our audit work is subject to final engagement partner review.

Audit area	Status	Description of the outstanding matters
Property, Plant & Equipment – Infrastructure Assets		CIPFA have consulted on a proposed solution to the identified national issue on accounting for infrastructure assets. There hasn't yet been a published agreed outcome from the consultation. When the agreed outcome is communicated, the Council will need to consider what additional work is necessary with regards to its infrastructure assets. Once the Council has completed any additional work, we will need to apply audit procedures to the infrastructure asset valuations in order to conclude on the material accuracy of the disclosed values.
Group consolidation		We are completing our final reviews of the adjusted group financial statements to confirm that the adjustments have been fully and accurately processed.
Financial statements, Annual Governance Statement and letter of representation		The Council have updated their format and structure of the accounts. We are completing our review of the updated structure including checking the amendments made to the accounts. We will complete our final review of the financial statements upon receipt of the signed version of the accounts and letter of representation at the end of the audit.

 Likely to result in material adjustment or significant change to disclosures within the financial statements.

 Potential to result in material adjustment or significant change to disclosures within the financial statements.

 Not considered likely to result in material adjustment or change to disclosures within the financial statements.



03

Section 03: **Audit approach**

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3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum presented to Audit Committee in June 2021. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £39.1m for the Group financial statements and £32.9m for the Council single-entity statements using a benchmark of 1.75% of gross expenditure at the Surplus/Deficit at Net Cost of Services level.

Our updated assessment of materiality, based on the draft financial statements and qualitative factors is £40.513m for the Group financial statements and £31.577m for the Council single-entity statements using the same benchmark.

Service organisations

We set out in our Audit Strategy Memorandum that there were no service organisations used by the Council which impact upon our planned audit approach. We confirm there have been no changes to those arrangements during the audit.

Use of experts

We set out in our Audit Strategy Memorandum our planned use of experts to assist in our audit procedures. We confirm there have been no changes to those arrangements during the audit

Item of account	Management's expert	Our expert
Defined benefit pension assets and liabilities	Hyman Robertson actuaries	PwC – NAO's consulting actuary
Non-Council Dwelling Property, Plant and Equipment and Investment Property valuation	Jacobs Ltd and MCC internal valuers	Mazars in-house valuation expert
Council dwellings valuation	Capita	N/A – local audit team
Valuation of MAHL and DML land & buildings for Group consolidation purposes	Avison Young (UK) Ltd	Mazars in-house valuation expert
Valuation of Financial Instruments	Link Asset Services	N/A – local audit team



3. Audit approach

Group audit approach

The Council's group structure for 2020/21 consolidated the Council's share of two other organisations: Manchester Airport Holdings Limited (MAHL) and Destination Manchester Limited (DML). In auditing the accounts of the Council's Group financial statements we obtained assurance over the transactions in the Group relating to the Council's share of these two entities. The Council owns 50% of the voting shares in MAHL and classes its investment as a joint venture, accounting for its share of the equity in MAHL. The Council wholly owns DML and consolidates its share of the company on a line-by-line basis.

Our group audit approach reflected the size and complexity of the transactions from the two companies that are consolidated into the Council's Group financial statements. We considered that MAHL is a financially significant component and that our significant risk relating to the Pension Liability is a risk that applies to MAHL as well as the Council. We do not consider that DML is a financial significant component and did not identify any significant risks to the group audit in DML.

Our audit approach was to obtain assurance on the audit of MAHL from their external auditor, KPMG LLP ("the component auditor"). We issued group audit instructions to the component auditor and liaised with them through their external audit. After the conclusion of their audit of MAHL we reviewed their audit files to obtain assurance on the accounting entries of which the Council consolidates its share. For DML we carried out group-level analytical procedures. The table below summarises our planned group audit approach.

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Group component	Approach adopted	Key points or other matters to report
Manchester City Council	●	The Mazars audit team undertook the full audit of the Council
Manchester Airport Holdings Ltd	●	We concluded that this is a significant group component and that we would require the company auditor to complete work on our behalf as a component auditor. We issued group audit instructions to the auditor and reviewed their audit file to document and conclude for our group audit purposes, their audit work, findings and conclusions.
Destination Manchester Ltd	●	We concluded that this component is not significant. We undertook desktop group analytical procedures on the financial information prepared for consolidation.

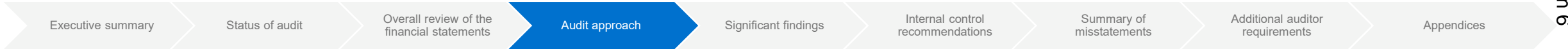
- Full audit**
 Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality
- Audit of balances and/or disclosures**
 Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality
- Specific audit procedures**
 Performance of specific audit procedures on the component's financial information
- Review procedures**
 Review of the component's financial information prepared for group reporting purposes using the component materiality assigned



3. Audit approach

The table below summarises our significant risks and other areas of audit focus. The key findings from our audit work in these areas are detailed in section 4.

	Risk description	Risk of fraud	Risk of error	Management judgement	Key Audit Matter	Audit approach	Control observations	Identified misstatements	Overall conclusion
Page 344 Significant risks	Management override of controls	●				Substantive testing	No	No	There are no matters to bring to the Committee's attention at this stage.
	Valuation of Council and Group Land & Buildings & Investment Property		●	●	●	Substantive testing	Yes	Yes	Our work on the Council's valuation of its land & buildings and investment property identified errors in the valuations. Most of these have been adjusted by management. The remaining unadjusted errors are not material.
	Valuation of the Council and Group defined benefit pension liability		●	●	●	Substantive testing	No	Yes	Our work on the Council's net pension liability identified a material understatement of the pension assets based on the actuarial estimate of the return on assets in the final quarter of the year. The Council has obtained an updated report and amended the pension assets.
Key areas of management judgement and enhanced risks	Consolidation of group financial statements		●	●		Substantive testing	No	Yes	Our work on the Council's consolidation process identified some non-material adjustments to the consolidated amounts which impacted on the Group CIES, Balance Sheet and Cash Flow Statement. The Council has amended the financial statements for these.



04

Section 04: **Significant findings**

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Item 6

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our findings on key audit matters, including:
 - why the matter was considered;
 - why the matter was considered to be one of the most significance in the audit and therefore determined to be a key audit matter;
 - how the matter was addressed in the audit including a summary of the auditor’s response to those risks;
 - where relevant, key observations arising with respect to those risks; and
 - a clear reference to the relevant disclosures in the financial statements.
 - if applicable (only in exceptional cases), depending on the facts and circumstances of the entity and the audit (these facts must be clearly explained), the auditor’s determination that there are no key audit matters to communicate in the auditor’s report. [ISA 701 Para. A60–A63]
- our audit conclusions regarding other significant risks, key audit matters and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 20 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

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Item 6

4. Significant findings

Key audit matters

Valuation of Council
Property, Plant & Equipment

Description of the key audit matter

The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the current value at that date. The Council has adopted a rolling revaluation model which sees all such property, plant & equipment revalued in a five-year cycle. The valuation of property, plant & equipment involves the use of a management expert (the valuer) and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process. The Council employs a valuation expert to provide valuations, however there remains a high degree of estimation uncertainty associated with the valuations of property, plant and equipment due to the significant judgements and number of variables involved. As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at the current value at the balance sheet date. In addition, as the valuations are undertaken through the year there is a risk that the current value of the assets could be materially different at the year end.

Council Dwelling valuations are based on Existing Use Value, discounted by a factor to reflect that the assets are used for Social Housing (EUV-SH). The Social Housing adjustment factor is prescribed in MHCLG guidance, but this guidance indicates that where a valuer has evidence that this factor is different in the Council's area they can use their more accurate local factor. There is a risk that the Council's application of the valuer's assumptions is not in line with the statutory requirements and that the valuation is not supported by detailed evidence.

How our audit addressed the key audit matter and our observations

Our audit procedures included:

- Obtaining an understanding of the skills, experience and qualifications of the Council's valuers, and considering the appropriateness of the Council's instructions to the valuers.
- Obtaining an understanding of the basis of valuation applied by the valuers in the year.
- Obtaining an understanding of the Council's approach to ensure that assets not subject to revaluation in 2020/21 are materially fairly stated.
- Obtaining an understanding of the Council's approach to ensure that assets revalued through 2020/21 are materially fairly stated at the year end.
- For a sample of the valuations, comparing the valuation to our valuation expert's estimate of the valuation.
- Sample testing the completeness and accuracy of underlying data provided by the Council and used by the valuers as part of their valuations.
- Using relevant market and cost data to assess the reasonableness of the valuation as at 31 March 2021.
- Testing the accuracy of how valuation movements were presented and disclosed in the financial statements.

The work carried out identified material and non-material adjustments were required to the financial statements for some of the asset valuations we tested.

In addition we identified the Council's approach to valuing its assets not formally valued in 2020/21 has led to a material understatement of the asset values.

The Council obtained updated valuation reports, carried out additional work where required, and has made the adjustments as set out in section 6.



4. Significant findings

Key audit matters

Valuation of investment properties

Description of the key audit matter

The CIPFA Code requires that where Investment Property assets are subject to revaluation, their year-end carrying value should reflect the fair value at that date. The valuation of Investment Property involves the use of a management expert (the valuer) and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process. The Council employs valuation experts to provide valuations, however there remains a high degree of estimation uncertainty associated with the valuations of property, plant and equipment due to the significant judgements and number of variables involved.

How our audit addressed the key audit matter and our observations

Our audit procedures included:

- Obtaining an understanding of the skills, experience and qualifications of the valuers, and considering the appropriateness of the Council's instructions to the valuers.
- Obtaining an understanding of the basis of valuation applied by the valuers in the year.
- Obtaining assurance on the appropriateness of the methodology and assumptions adopted by the Council's valuers.
- For a sample of the valuations, comparing the valuation to our valuation expert's estimate of the valuation.
- Sample testing the completeness and accuracy of underlying data provided by the Council and used by the valuer as part of their valuations.

The work carried out identified material and non-material adjustments were required to the financial statements for some of the investment property valuations we tested.

The Council has made the adjustments as set out in section 6.

The remaining amounts not adjusted are not material individually or collectively.

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Item 6

4. Significant findings

Key audit matters

Valuation of the Council's and the Group's defined benefit pension liability

Description of the key audit matter

The net pension liability represents a material element of the Council and the Group balance sheet. The Council and its consolidated subsidiaries are admitted bodies of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2019. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's and the subsidiaries' overall valuations. There are financial assumptions and demographic assumptions used in the calculation of the valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's and the subsidiaries' employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing the pension obligations are not reasonable or appropriate to the Council's or the subsidiaries' circumstances. This could have a material impact to the Council and Group net pension liability in 2020/21.

How our audit addressed the key audit matter and our observations

Our audit procedures included:

- Obtaining an understanding of the skills, experience and qualifications of the actuary, and considering the appropriateness of the instructions to the actuary from the Council and the Group components.
- Obtaining confirmation from the auditor of the Greater Manchester Pension Fund that the controls in place at the Pension Fund are free from material deficiencies.
- Reviewing a summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets, and evaluating whether the outcome of their work would affect our consideration of the Council's and the Group's share of Pension Fund assets.
- Reviewing the actuarial allocation of Pension Fund assets to the Council and the Group by the actuary, including comparing the Council's and the Group's share of the assets to other corroborative information.
- Reviewing the appropriateness of the Pension Asset and Liability valuation methodology applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This includes comparing them to expected ranges, utilising information provided by PwC, consulting actuary engaged by the National Audit Office.
- Agreeing the data in the actuarial valuation reports provided by the Pension Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's and the Group's financial statements.

The work carried out identified that the Council's pension asset was materially understated as a result of the actuary estimating the pension asset returns for the final quarter of the year.

The Council obtained an updated actuarial report based on the full year Pension Fund asset valuations and has amended the pension asset to reflect the updated values.

4. Significant findings

Significant risks

Management override of controls

Description of the risk

This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

We have completed our work on the Council’s journals and there are no matters to bring to the Committee’s attention.

Our work on the management estimates, other than those reported elsewhere in this section, did not identify any significant matters to bring to the Committee’s attention. We reviewed the Council’s provision of loan support to Manchester Airport in 2020/21 and did not identify any matters to bring to the Committee’s attention.

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4. Significant findings

Key areas of management judgement

Consolidation of group financial statements

Description of the management judgement

The Council has made judgements around which of its group entities it consolidates into its Group Financial Statements, and how it consolidates the transactions and balances into the Group.

How our audit addressed this area of management judgement

Our detailed approach to auditing the Group Financial Statements has been detailed in section 3.

We complemented this work by reviewing the Council's Group consolidation process. In particular we reviewed the Council's judgements relating to the entities that are consolidated into the Group Financial Statements, and we reviewed and tested the consolidation adjustments made in bringing those group entities into the Group Financial Statements

Audit conclusion

Our work identified non-material errors in the consolidation adjustments. The Council carried out additional work to recalculate the consolidation adjustments and made the relevant amendments in the financial statements.

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Item 6

4. Significant findings

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 31 July 2021 and were of a good quality. Good quality supporting working papers have been made available in a timely manner and these have assisted our audit progress. We have maintained a good working relationship with the Council finance officers who have continued to assist our audit and have been helpful in answering our detailed audit queries.

Significant matters discussed with management

During the audit we maintained a regular dialogue with Council officers. Among the matters discussed through these conversations were:

Accounting treatment for the Council's loan made to Manchester Airport in the year

We discussed the Council's treatment of its loan as capital expenditure in the context of the Capital Financing regulations and the specific requirements to be met in order to treat loans to other organisations as capital expenditure. The Council provided a detailed explanation and supporting evidence to confirm the loan was provided for capital purposes and the expenditure incurred by the Airport would have been capital had the Council incurred it itself.

Impairments of financial assets

We discussed the Council's approach in considering impairments of its financial assets and in particular those impacted by the Covid-19 pandemic. We obtained explanations and evidence to support the Council's approach to impairing its assets including those assets, such as the loans to Manchester Airport, which it has not impaired.

Accounting treatment of government grants

The Council has received material amounts of government grant income in the year, particularly relating to the government's financial support to the Council and business in response to the impact of Covid-19. We had discussions with the Council in respect of their consideration of whether the Council was acting as an agent of the government or as a principal and whether there were any grant conditions which the Council should take into account in recognising the income in its accounts.

Accounting for cash and bank balances

We discussed the Council's treatment of its cash and bank balances. In particular this covered:

- The Council's treatment of items received and paid on 31 March 2021 which were not correctly accounted for in the financial statements. This issue led to the bank balance being understated by £5.7m, the short term debtors balance being overstated by £33.2m and the short term creditors balance being overstated by £27.4m.
- The Council's accounting treatment of a bank account for looked after children and the related reconciliation of Council imprest bank accounts. A control weakness, reported in section 5, occurred which resulted in amounts being transferred wrongly into a looked after children bank account, rather than a Council imprest account. The Council bank balance was consequently understated by £84k.

Related party transactions

We discussed the Council's approach to identifying its related parties and the transactions with those parties. As a result of those discussions the Council carried out further work, and identified some additional related parties and transactions. These were amended in the updated financial statements.

Payment of members allowances

Information was brought to our attention by a member of the public about the Council's approach to paying members allowances in certain circumstances. We followed up the reasons why the Council had paid both the Basic Allowance (BA) and the Special Responsibility Allowance (SRA) to a member.

Following our work, we are satisfied the Council had no grounds to stop payment of the BA.

It is clear that, given the circumstances, the member concerned was no longer required to undertake the responsibilities for which the SRA was paid. However, neither the Monitoring Officer nor the Chief Executive were informed that the SRA should be stopped, or paid to a different member. Without such an instruction, officers had no basis to stop the payment.

Given the relatively low value of the allowance, and the unusual circumstances, we have concluded we do not need to exercise our formal reporting responsibilities.



4. Significant findings

Significant difficulties during the audit

Our audit was conducted remotely due to the continued impact of the Covid-19 pandemic. While there are some areas of efficiency, auditing remotely provides significant challenges for the audit team and the Council.

As reported elsewhere in this report our audit identified a number of issues and errors. Other than these matters, we did not encounter any significant difficulties. We are pleased to report we continued to have the full co-operation of management, despite the length and complexity of the 2020/21 audit.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2020/21 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We received questions from one member of the public. We have completed our work and have concluded that there are no material impacts on the 2020/21 financial statements and no matters to report to the Committee.



05

Section 05: Internal control recommendations

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Item 6

5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	4
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	2

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5. Internal control recommendations

Significant deficiencies in internal control – Level 1

Description of deficiency

The Council wrongly transferred cash intended to reimburse a Council imprest account, into an account relating to looked after children who are on remand. The transfer was identified by the Council in responding to routine audit enquiries relating to the Council’s bank accounts. There were inadequate controls to prevent the transfer of imprest reimbursements being made to incorrect accounts. The initial control weakness was compounded by a weakness in the reconciliation of the imprest accounts which did not identify that the account was overdrawn by the amounts transferred through 2020/21.

Potential effects

The control weakness relating to the incorrect transfer of cash funds has resulted in the Council providing 94k of cash to a different account which is unrelated to the imprest accounting. The control weakness relating to the imprest account reconciliations has resulted in the initial error not being identified in order for timely corrective action to be taken.

Recommendation

- a) Ensure that approval for setting up or amending imprest reimbursement bank instructions include senior officer review and approval.
- b) Ensure that imprest accounts are reconciled monthly and that the reconciliations are subject to timely review by a senior officer.

Management response

- Recommendations agreed and implemented.
- Bank reconciliations for all imprest accounts have been completed at 31 March 2022 and will continue to be completed each time a reimbursement of the accounts are requested
 - Internal Audit have undertaken a piece of work on this issue and whilst they consider that the associated risk of material error is low, an audit review of the design and operation of controls over imprest accounts would be appropriate. This will be added to the 2022/23 audit plan.

5. Internal control recommendations

Significant deficiencies in internal control – Level 1

Description of deficiency

The Council's closedown processes include processing adjustments in the general ledger to 'write-back' transactions that are received in, and paid from, the two main bank accounts on 31 March 2021. This process was omitted in 2020/21. The omission was not identified until after the draft financial statements were produced.

Potential effects

The impact of this process being omitted was that there were material misstatements in the bank, short term debtors and short term creditors balances in the draft financial statements.

Recommendation

Ensure that closedown processes in 2021/22 include the correct processing of adjustments in the general ledger to reflect transactions received in and paid from the bank on 31 March 2022.

Management response

Recommendation agreed and implemented

The cash, debtors and creditor adjustments that were excluded from the draft accounts have been corrected in the accounts. It is acknowledged that this omission should have been picked up as part of the quality assurance process by checking that the bank balances in the accounts agreed to the 31 March bank statements.

For 2021/22 there has been wider involvement in this work from the Treasury Management Team so there is no longer a single point of failure. For 2021/22 this work has already been completed and the Chief Accountant has ensured that the bank balances on SAP agree to bank statements and the income suspense accounts have been cleared to nil.

Description of deficiency

In carrying out the land & buildings and investment property valuations instructed by the Council, the Council's external valuer is dependent on obtaining sufficient and appropriate information from the Council. In some cases in 2020/21 the information provided to the valuer was insufficient to enable them to produce a valuation compliant with the requirements of financial reporting standards and the CIPFA Code. In addition the Council's review and challenge of the output from the valuer did not identify issues with the valuation methodology and assumptions for some assets.

Potential effects

The valuations of land & buildings and investment property are significant and complex accounting estimates. The impact of incomplete or inaccurate information increases the likelihood of material inaccuracies in the valuation of the Council's assets.

Recommendation

- a) The Council's finance team should manage and coordinate the valuation process, ensuring that other Council departments provide the required information to the external valuer on a timely basis.
- b) The Council should review and challenge the output from the external valuer.

Management response

Recommendations agreed

Discussions have been undertaken with the Council's external valuers with the aim of improving the evidence provided and justification of assumptions used in future valuation reports including the information they require from council officers and external sources.

In addition, it is intended that there will be more quality assurance of the valuations by Corporate Finance before they are used in the 2021/22 accounts.



5. Internal control recommendations

Significant deficiencies in internal control – Level 1

Description of deficiency

The Council has a 5 year rolling programme for revaluing its operational land & buildings. This results in significant numbers and values of assets not being formally valued each year. In order to ensure the value of these assets at the year end remains materially accurate the Council requests its external valuer to carry out work to consider the change in valuation for these assets since they were last valued. In 2020/21 the value of assets not formally valued in year was over £900m. The work initially completed by the Council and its valuer did not cover all £900m and was not sufficiently detailed to conclude that the values remained materially accurate. Subsequent work carried out by the Council and its valuer identified the values were understated by a material amount.

Potential effects

The valuation of the assets not formally valued in year can be significant values, and the previous valuation could be up to four year ago. The likelihood of values not remaining materially correct is greater, and that impact did occur in 2020/21.

Recommendation

Ensure that the consideration of the value of land & buildings not formally valued in year includes all such assets, and is sufficiently detailed to provide sufficient evidence of the current value of such assets.

Management response

Recommendation agreed.
Valuations will be completed in 2021/22 which are in addition to the 5 year rolling programme; initially to include some of the high value specialised assets held by the Council. This scope will then be reviewed annually.
For 2021/22 a detailed analysis of the market movements 'indexation' will be completed taking account of the previous recommendations from Mazars. Further, following discussion with Mazars the agreed revised methodology will be followed for the 2021/22 and future accounts.

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5. Internal control recommendations

Other recommendations in internal control – Level 2

Description of deficiency

Our testing of expenditure items in 2020/21 included the purchase of personal protective equipment (PPE) from June 2020, during the national lockdown, and during a period where PPE was in short supply. The PPE purchase we tested was for £765k. The purchase was made via a purchase card. The evidence of officer approval of the purchase was not available for audit. Officers explained this was because of the extraordinary circumstances of the period, and consider the approval may have been provided through a message which had not been retained. The issue was further impacted by the Council changing its IT messaging system since the purchase such that access to old messages was not available.

Potential effects

While we acknowledge the extraordinary circumstances of the time of this purchase, reflecting the urgent need to purchase PPE and to distribute it to Council staff, the non-retention of approval evidence leads to the Council not being able to confirm purchases were made according to the Council’s control framework.

Recommendation

Ensure all purchases, especially those made by purchase card, are supported by a retained audit trail of evidence of approval of the order/payment.

Management response

Recommendation agreed.
The approach to purchasing was overseen by the Deputy Chief Executive, Deputy Treasurer and Head of Audit & Risk Management and involved staff from procurement, finance, health & safety and the PPE Hub. This ensured that there were lots of check and challenge in the process of identifying, purchasing, receiving, distributing and reconciling PPE during the pandemic. Officers acknowledge and accept that the evidence of approval of individual items in messages had not been retained and will ensure that evidence is retained for any future urgent purchases using purchase cards.

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5. Internal control recommendations

Other recommendations in internal control – Level 3

Description of deficiency

Our review of IT controls identified that the Council had not tested the restoration of backups during 2020/21.

Potential effects

Not testing the restoration of backups means exposes the Council to the risk that backups may not restore fully and accurately when needed, and that issues are not identified and addressed in a test environment.

Recommendation

Establish a policy of regular, at least annual, testing of the restoration of backups. Document the test results and the investigation and resolution of identified issues.

Management response

IT control of test restoration of backups is in place. IT have an annual workstream which requires us to restore from production to QA systems and from Production to PS1 systems between October & November. Additionally each August SAP support team look at whether a successful restore has taken place in the last 6 months. If no actual restore has taken place we will then schedule a test backup & restore.

Description of deficiency

During our audit of the Council's IT controls we identified that during 2020/21 three IT users with 'super user access did not have 'user change forms' completed to support the change in access request. The requests were supported by emails.

Potential effects

The potential effects include there being unidentified inappropriate access to IT resources, and a lack of audit trail to support access permissions.

Recommendation

Ensure all requests for user access changes apply the Council's user access process and are documented. Approval should be sought and documented for 'super user' access.

Management response

IT control of Super User ID is managed by SAP Team Leads and a record is kept of the relevant email trail for audit purposes. This access is used rarely, usually out of hours for an emergency need. The last use was 19/10/21.

Checks in place to prevent inappropriate access include:

- Officers requesting this access are responsible for the availability and support of all SAP systems, therefore already a high level user.
- A daily job runs which looks for any use of SUPER User ID accounts. Should there be any an email is sent to record why the use was necessary.
- We review annually these super user IDs and currently two people have the ability to access this type of ID.



06

Section 06:

Summary of misstatements

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6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £408,000. This table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust. The following page outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Short-term debtors			10,252	
	Cr: Short-term creditors				10,252
	The Council received grant income funding after 31 March 2021 which related to 2020/21 but had not been accrued into that year. This related to grant funding where the Council acts as an agent for other councils and passes the funding on to those other councils. Our audit testing identified one receipt in April 2021 for £0.7m and the Council identified a further receipt for £0.8m. This has understated the short-term debtors and short-term creditors by the same amount with no impact on the Council's CIES. Because we identified this error in our sample testing, in line with our approach, we extrapolated the known error of £1.5m over the remaining untested grant income. The Council has amended the actual error, but the extrapolated impact of £10.2m has not been amended as it relates to an audit extrapolation.				
2	Dr: Unusable Reserves			7,014	
	Cr: Investment Properties				7,014
	Our valuation expert has reviewed the methodology and assumptions used in valuing the Council's investment properties. Our conclusion from that work is that there are three assets whose valuation is above the upper-end our expected valuation range. The total overstatement of those two assets is £7m.				
3	Dr: Group LT Investment in Joint Venture			1,988	
	Cr: Group I&E Reserve				1,988
	In calculating the Council's share of Manchester Airport Holdings Limited (MAHL) equity the Council should remove the impact of IFRS16 from the MAHL accounts. This is because IFRS16 does not yet apply to the Council. The Council did not make this adjustment and, as a result, the Council's Group Balance Sheet is understated by £1.9m with a corresponding understatement of the Group I&E Reserve.				
Total unadjusted misstatements		0	0	19,254	19,254

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6. Summary of misstatements

Adjusted misstatements

This tables, continued on the following pages sets out the significant misstatements that management have adjusted in the financial statements.

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Page 363	1	Dr: Net Pension Liability		24,142	
		Cr: Pension Reserve			24,142
		The actuarial valuation was initially based on estimated final quarter return on pension fund assets. Our analysis indicated this could be materially inaccurate so the Council obtained an updated report from their actuary. Based on the full year actual returns on assets the Pension Assets increased by £24.1m with a corresponding reduction in the negative pension reserve. This amendment also impacts on the Other Comprehensive Income in the CIES.			
	2	Dr: Unusable Reserves		21,730	
	Cr: Property, Plant & Equipment				21,730
	Following audit challenge, the Council's valuers revised their valuation for an operational land & building reducing the valuation by £21m with a corresponding reduction in the unusable reserves.				
	3	Dr: Property, Plant & Equipment		31,563	
		Cr: Unusable Reserves			31,563
	Following audit enquiries the Council, and their external valuer, carried out additional work to more accurately estimate the valuation of assets not formally valued in 2020/21. The valuations in the draft accounts were understated by £31.5m. The unusable reserves were understated by the same amount.				
	4	Dr: Unusable Reserves		3,565	
		Cr: Investment Properties			3,565
	The Council had included the value of land for an investment property in its balances twice. The corresponding adjustment reduces the unusable reserves.				

6. Summary of misstatements

Adjusted misstatements (continued)

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
5	Dr: Unusable Reserves			2,850	
	Cr: Investment Properties				2,850
Following audit challenge, the Council's valuers revised their valuation for two investment properties, reducing the valuations by £2.8m with a corresponding reduction in the Capital Adjustment Account.					
6	Dr: Investment Properties			7,591	
	Cr: Unusable Reserves				7,591
The Council received additional income from Manchester Airport Holdings Ltd in 2020/21 arising from a new lease for land which relates to the airport's investment properties. The additional income had not been notified to the Council's valuers in time for the valuation exercise. The Council obtained an updated valuation report which increased the value of the Council's share of the airport land of £7.6m. This gain on revaluation is accounted for in the unusable reserves.					
7	Dr: Property, Plant & Equipment – Surplus Assets			4,000	
	Cr: Assets Held for Sale				4,000
The Council had misclassified an asset which was not expected to be sold within twelve months of the year end as an asset held for sale. This asset has not yet been sold and no sale is imminent. The asset was reclassified as a non-current asset – surplus asset.					

6. Summary of misstatements

Adjusted misstatements (continued)

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
8	Dr: Unusable Reserves			19,450	
	Cr: Net Cost of Services expenditure		20,626		
	Cr: Financing & Investment expenditure	1,176			
The changes in operational and investment property asset valuations reported elsewhere in this table also impact on the CIES. The additional depreciation and revaluation losses in the CIES increased the Total Comprehensive expenditure by £27m.					
9	Dr: Cash & cash equivalents			5,741	
	Cr: Short-term debtors				33,187
	Dr: Short-term creditors			27,446	
The Council identified that the cash balance in the draft statements did not include receipts from 31 March 2021 that were not already included in the cash book, i.e. receipts into the bank on that day which were not known or expected. These items increased the cash balance in the financial statements and reduced both the short-term debtors and creditors balances.					
10	Dr: Short-term debtors			1,557	
	Cr: Short-term creditors				1,557
The Council received grant income funding after 31 March 2021 which related to 2020/21 but had not been accrued into that year. This related to grant funding that the Council acts entirely as an agent for other councils and passes the funding to those other councils. Our audit testing identified one receipt in April 2021 for £0.7m and the Council identified a further receipt for £0.8m. This has understated the short-term debtors and short-term creditors by the same amount. Because we identified this error in our sample testing, in line with our audit approach, we extrapolated the known error of £1.5m over the remaining untested grant income. The Council has amended for the actual error. The remaining £10.2m has not been amended and is included in the unadjusted misstatements table on page 30.					

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6. Summary of misstatements

Adjusted misstatements (continued)

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
11	Dr: Group Short-Term Creditors			1,500	
	Cr: Group Long-Term Debtors				750
	Cr: Group Short-Term Debtors				750
The Council had omitted to exclude a proportion of the loans provided to DML Ltd from its consolidation of DML. Short-term creditors were overstated by £1.5m and short-term and long-term debtors were both overstated by £750k each					
12	Dr: Group Intangible Assets			4,249	
	Cr: Group I&E Reserve				4,249
The Council had incorrectly excluded goodwill included in the DML financial statements from its consolidation of DML into the Council's group. Group Intangible Assets and the Group I&E Reserve were both understated by £4.2m					
13	Dr: Group Long Term Investments			3,673	
	Cr: Group I&E Reserve				3,673
The Council had incorrectly excluded investments of DML included in their financial statements from its consolidation of DML into the Council's group. Group Long Term Investments and the Group I&E Reserve were both understated by £3.6m					
Total adjusted misstatements		1,176	20,626	159,057	139,607



6. Summary of misstatements

Disclosure amendments

The adjustments to the main financial statements on the previous pages in this section also impact on the related notes to the financial statements.

In addition to those amendments, the Council has also made amendments to other disclosure notes. The most significant of these adjustments include:

- **Note 3 – Expenditure & income Analysed by Nature** - amended to be consistent with other notes and disclosures
- **Note 14 – Pooled Funds** - amended to include the entire pooled budget with Manchester CCG rather than just the element relating to the Better Care Fund
- **Note 28 – Assets Held as Lessee** – two leases that had ended were removed from the disclosure note
- **Note 29 – Assets Held as Lessor** – an additional lease with Manchester Airport has been included
- **Note 39 – Financial Instruments** – additional disclosures were included to comply with the CIPFA Code with adjustments made to some of the disclosures
- **Note 43 – Local Government Pension Scheme** – amendments were agreed to the disclosures relating to the Council’s up-front pension payment to the Greater Manchester Pension Fund to reflect the treatment through the Movement in Reserves Statement
- **Note 47 – Related Party Transactions** – additional work carried out by the Council following audit challenge identified additional related parties and transactions to disclose. These have been added into the note.

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07

Section 07: **Value for Money arrangements**

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3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council

has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements. Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses. We did not identify any risks of significant weaknesses through our work on Value for Money arrangements.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement. There are no significant weaknesses to report.

The table below summarises the outcomes of our work against each reporting criteria. On the following page we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

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Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	38-39	No	No
Governance	40-41	No	No
Improving economy, efficiency and effectiveness	42	No	No



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3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Background to financial sustainability in 2020/21

The Council entered the 2020/21 financial year as the first national lockdown began and immediately faced a significant operational impact to respond to the range of challenges presented by the pandemic. As part of the national response to Covid-19, central government made a series of policy announcements which impacted on the Council. Consequently the Council was at the forefront of efforts to protect local residents, including the most vulnerable, and to support local businesses.

Some of the Government's initiatives to respond to the covid-19 pandemic were supported by additional funding, and so the Council received significant additional funding in 2020/21. This included general grants to support its Covid-19 response of £78.6m, and specific grants of £402.5m of which the Council had discretion over the use of £209.2m. Within the specific grants was the significant funding provided to support local business in line with the government's national initiatives. Taken together, this funding helped the Council to support residents and businesses through the year, and provided immediate funding to help mitigate some of the financial pressures caused by the pandemic. The Council's financial sustainability challenges from the Covid-19 pandemic will continue through the medium term and this places considerable pressure on the Council to maintain effective financial sustainability arrangements.

The Council's financial planning and monitoring arrangements

In March 2020, the Council set a balanced budget for the 2020/21 financial year with a total net budget for Council services of £665m. This required an increase in Council Tax of 3.99% (including 2% Adult Care precept). Throughout the year the Council regularly updated its budget forecast, enabling budgets to remain up-to-date in the fast-changing and uncertain operating environment of the pandemic. The final net budget reported for the year was £871m reflecting the significant Covid-19 funding received through the year. Within the original budget approved in March 2020, the Council had identified a savings requirement of £7.5m alongside a range of initiatives and measures to deliver these reductions.

The Council's financial planning and budgeting arrangements are well established and include a wide range of activities and consultations. The budget setting process includes engagement with senior Council officers and incorporates discussion about the delivery of statutory services/priorities, the Council's Corporate Plan, and the impact on resources of emerging challenges and risks. Where additional resources are required these are scrutinised and challenged before they are included in the budget estimates. Engagement with directorates and members are key parts of the budgeting arrangements, and from our review of the output and discussions with

officers, these are detailed and extensive.

The Council reported its revenue outturn position for 2020/21 as an overall underspend of £3.9m. This continues the Council's strong track record of managing its budget through the year, and mitigating the risks and pressures that emerge through the year. The Council provided regular reports of its financial position to Executive through the year. We have reviewed a sample of the reports presented for 2020/21. These reports were detailed and comprehensive and incorporate monitoring of the revenue budget, the capital programme and a wide range of other financial measures. The Council follows an established timetable for reporting to Executive which includes reporting to directorate management teams and the strategic management team.

The Council's financial management arrangements were significantly impacted in 2020/21 by the impact of Covid-19. The Council reported that the direct pressures on services and income was over £55m, and the mitigating actions it put in place through the year included delivering additional savings of £17.8m, alongside receiving additional support from GMCA. The Council is keenly aware of the continued impact of Covid-19 on its financial position, and this will require the Council to continue its strong financial management arrangements through the next few years.

The Council has a very significant capital programme, and continues to play a lead role in developing the city. In 2020/21 the final capital budget was £373m. Actual spending against the budget was £335m, reflecting that, although significant progress was made against the various projects, Covid-19 impacted on the delivery of some projects. In 2020/21, the Council as a shareholder in Manchester Airport, along with the other Greater Manchester councils provided capital support to the airport. As well as the routine capital projects the Council undertakes, there a number of large, strategically important projects underway or planned in the near future. The most significant of these are the renovation of the Town Hall (total capital budget of £305m), the Factory project, (total capital budget of £190m), and the Victoria North project (total capital budget of £75m). The size and complexity of the capital programme requires a robust and effective monitoring process to enable the financial impact of the projects to be evaluated and reported promptly to enable timely effective decision making. The capital budget monitoring and reporting mirrors the revenue budget monitoring. We reviewed a sample of these reports and this confirmed they provide timely detailed monitoring reports to key decision makers in the governance structure.



3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

The Council's arrangements for identifying, managing and monitoring funding gaps and savings

As part of its budget setting arrangements for 2020/21 the Council commenced its planning for its updated three year financial plan. The planning for 2020/21 recognised the importance of setting a balanced one year budget alongside demonstrating the long term financial resilience of the Council. The approach for 2020/21 reflected the one year settlement announced by the government, and recognised the uncertainty in the medium term funding. A key element of the budget setting process is identifying savings and funding gaps. The budget reporting to Executive and Council provides significant detail on the savings plans, in-year monitoring and outturn delivery at the year end. The budget report to Council in March 2020 set out the detailed savings plans and proposals for each directorate, along with the proposed impact on the Council's reserves until 2023/24.

The Council's budget setting process, which begins in the summer, is a detailed and comprehensive process. There is detailed consultation and discussion with officers and members on the assumptions and principles on which the budget is to be based. As part of the budget setting process, the Council explicitly identifies its savings requirements for the following years through detailed consideration of the budgetary pressures, funding estimates, and impact of national and local initiatives and policies. We reviewed a range of the budget preparation documents and meetings held as part of the budget setting process. Our review confirmed the documents were comprehensive and detailed and the discussions were timely and delivered the intended outcomes to assist with the budget preparation.

Council's arrangements and approach to 2021/22 financial planning

The Council's arrangements for the 2021/22 budget setting process largely followed the arrangements in place for 2020/21.

The budget for 2021/22 was approved at the March 2021 Council meeting. The Council set a balanced budget with a total net budget for Council services of £637m with an increase in Council Tax of 4.99% (including 3% Adult Care precept). The budget planning for 2021/22 recognised the very significant impact on the Council's finances of Covid-19, identifying the financial impact on the Council for 2021/22 at £144m. The budget for 2021/22 included £41m of savings proposals and £185m use of reserves. The high use of reserves in 2021/22 reflects the use of Covid-19 funding received in 2020/21 but which was unspent and added to reserves at the end of 2020/21, to be spent during 2021/22.

We have reviewed the supporting evidence relating to the preparation of the 2021/22 budget and these demonstrate that the arrangements are consistent with the previous year, were detailed and robust, and were properly applied.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability.



3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

The Council’s risk management and monitoring arrangements

The Council has a well established risk management system in place and embedded in the governance structure of the organisation. The Council has a risk management strategy 2020-2023 which sets out the Council’s risk appetite and context to its risk management. The risk management arrangements incorporate service and directorate risk registers informed by detailed assessments of the key risks impacting on each area. These registers inform the Council’s corporate risk register which sets out the key strategic and corporate risks. The risk registers apply a risk score alongside the Council’s target score for each risk. The register includes the controls in place to mitigate the risks along with other sources of assurance, and enables the Council to manage the risks actively and take action where necessary. We have reviewed the risk management strategy along with examples of risk registers. Our review confirms the strategy is clear, and the registers appear comprehensive, containing sufficient and appropriate detail for Council officers and members to discharge their responsibilities.

The Council reports its risk registers through its governance framework, culminating in reports to the Audit Committee. Our attendance at the Audit Committee meetings has confirmed the Committee understands its role in the risk management framework. It provides challenge to management on the risk register’s and corresponding risks and mitigating actions.

The Council has a team of internal auditors, led by the Head of Audit & Risk Management, who provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. The annual Internal Audit plan is ordinarily agreed with management at the start of the financial year and is reviewed by the Audit Committee prior to final approval. In 2020/21, the Covid-19 pandemic impacted significantly on Internal Audit’s plans, and as a result of cancelled meetings at the start of the pandemic, the Audit Plan was presented to the Committee in July 2020. The audit plan is based on an assessment of risks the Council faces, and is planned to ensure there is assurance on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control. The planned work is supplemented by ad hoc reviews in respect of suspected irregularities and other work to respond to emerging risks and issues. We have reviewed the Internal Audit plans for 2020/21 and 2021/22 and confirmed they are consistent with the risk based approach. The Council has comprehensive anti-fraud and corruption policies which are updated as required. In 2020/21 a significant focus of the Council’s anti-fraud work was in implementing processes to minimise any loss on business grants by putting in place checks to minimise fraud/ loss before payments were made to businesses.

Internal Audit progress reports are presented to each Audit Committee meeting, including follow up reporting on recommendations from previous Internal Audit reports. From our attendance at meetings, we are satisfied this allows the Committee to effectively hold management to account. At the end of each financial year the Head of Audit & Risk Management provides an opinion based on the work completed during the year. For 2020/21 the Head of Audit & Risk Management concluded that a reasonable level of assurance could be given that the Council’s overall framework of governance, risk management and control remains appropriate and had been complied with. Whilst this reflected the significant impact of the pandemic, the annual report highlighted the strength of the core governance, risk and control systems.

Throughout the year we have attended all Audit Committee meetings. These meetings have received regular updates on both internal audit progress and risk management. Audit Committee members engage with the reports and challenge the papers and reports which they receive from management, internal audit and external audit.

Council arrangements for budget monitoring and budgetary control

The Council has well established budget monitoring arrangements in place. The Finance service is configured to align to the Council’s management portfolio structure. Members of the Finance Team are assigned to specific service areas and work closely with cost centre managers to review, discuss and agree the financial pressures/ issues impacting on specific service areas. At the end of each month, a Portfolio dashboard is prepared which contains all relevant financial information. Forecasts are produced for cost centres, service areas and the whole Portfolio. These are discussed and agreed with relevant Directors and managers.

There is a detailed budget monitoring timetable to which the Finance service works to ensure reports are timely. Overall financial monitoring reports are prepared encompassing the whole Council position for both Capital and Revenue. The format of the reports ensures relevant information is available, and in 2020/21, the reports were adapted to report on the impact of COVID including information on the impact on service costs and income shortfalls, specific grants received including business grants and other grants where the Council acted as an agent. We have reviewed a range of the reports and conclude they are appropriately detailed and comprehensive to provide members with the current financial position and the future challenges and risks ahead.



3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

Council decision making arrangements and control framework

The Council’s decision making arrangements are established in the Council Constitution. Decisions are either made by members (Council, Executive, or other decision making committees) or delegated to Executive portfolio leads, or officers. The Constitution sets out clearly the approach to decision making. The Council also has a range of overview and scrutiny committees and sub-groups that challenge and scrutinise Council decisions.

Reports provided to support decision making include an assessment of the revenue and capital financial impacts and other key impact areas such as risk management, legality and equal opportunities.

The Council operates an Audit Committee which has the appropriate status in the organisation to challenge management and obtain assurance on the operation of the internal control framework. The Committee has an agreed workplan and, where necessary, asks management to report on specific internal control issues. This includes asking management to attend meetings to answer questions. The Audit Committee met regularly throughout the year and routinely considered key reports on internal controls.

Based on the above considerations we are satisfied there is not a significant weakness in the Council’s arrangements in relation to governance.

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3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

The Council's arrangements for assessing performance and evaluating service delivery

The Council prepares performance monitoring and financial monitoring reports which are regularly reported through the year. The monitoring of the achievement of the Corporate Plan priorities is supported by accessible detailed dashboards. These are presented alongside narrative reporting of the actual performance, progress to achieving targets, current and known future challenges and an assessment of how the Council is doing. During 2020/21 this incorporated an explicit reference to how Covid-19 would affect delivery of priorities. The financial monitoring position is reported separately to performance monitoring but both provide a detailed and insightful summary of the Council performance and provide up to date evidence to inform decision making. The monitoring is also used to identify service delivery challenges, for example where increased costs are incurred to address service backlogs or underlying underperformance. Where such issues are highlighted through financial monitoring, the resources required as an investment to address this are identified.

The Council produces a range of value for money analysis, including annual benchmarking of outcomes and unit costs against similar Councils. During 2020/21 the Council commissioned an external financial benchmarking review. The analysis highlighted the Council's areas of strength along with areas where other similar Councils achieve better outcomes with a lower spend. The Council used the output to both inform the budget planning process, and also to undertake detailed work with directorates to identify and deliver improvements in the delivery of value for money. The Council uses benchmarking tools to inform its understanding of its performance. As well as using some off the shelf benchmarking tools, the Council also has a corporate Performance, Research & Intelligence service. This service provides a valuable source of advice on performance monitoring methodologies for projects and directorates, as well as interpreting data and performance monitoring information.

The Council's arrangements for effective partnership working

The Council's key partnerships include a wide range of organisations as is expected for a very large and complex Council. These include service delivery partnerships, statutory partnerships, and commercial partnerships.

The Council monitors its delivery through key partnerships including an ongoing assessment of risk as set out in its Register of Significant Partnerships which is reported to the Audit Committee annually. This summarises the significant partnerships the Council has alongside a rating of assurance the Council considers the

partnership arrangements provide. This is informed by discussions and assessments involving the partnership link officer, moderated by Council officers from a range of service areas. As at 31 March 2021 the register included 49 significant partnerships, only one of which was reported as having limited assurance of controls over the partnership, and 36 were rated as having the highest level of assurance.

During 2020/21 the impact of Covid-19 has placed a greater focus on the operation of a number of strategic partnerships, particularly those related to delivery of health and social care responsibilities, and those supporting vulnerable residents.

The Council's arrangements for procurement and commissioning services

The Council's Constitution contains a chapter on the Contract Procurement Rules. This sets out the detailed process that the Council must follow when procuring goods or services. We have reviewed the procedure rules and this confirms they are comprehensive and cover the procedures, the quotation and tender process, using frameworks, post tender evaluation and contract monitoring procedures.

To support procurement, the Council has centralised procurement team. This team provides a key source of procurement expertise. The team are required to be involved in procurement contracts above £30,000 and lead the procurement process in many cases. The Council controls in place to manage procurement effectively include completion of a pre-tender form to evidence the approval for the procurement and that financial and legal requirements have been followed. The support provided by the procurement team includes training to officers involved in the procurement process, enabling a clear common understanding of the approach and compliance requirements. The Council appoints contract managers who have responsibility for managing the contract. Directorates record their contracts in registers to track all the contracts within their portfolio.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to improving economy, efficiency and effectiveness.



Appendices

A: Independence

B: Other communications

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Appendix A: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

We also confirm that we have received confirmation from our external experts regarding their independence.

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Appendix B: Other communications

Other communication	Response
Compliance with Laws and Regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.
External confirmations	We did not experience any issues with respect to obtaining external confirmations.
Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	We have not identified any evidence to cause us to disagree with the Deputy Chief Executive & City Treasurer that Manchester City Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.

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Appendix B: Other communications

Other communication	Response
Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
Matters related to fraud	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we obtained written representations from management, and the Audit Committee, confirming that</p> <ol style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ol style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.

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Item 6

Mazars

Karen Murray, Partner

One St Peter's Square
Manchester
M2 3DE

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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