

## Manchester City Council Report for Information

**Report to:** Audit Committee – 28 November 2023

**Subject:** Annual Accounts Update

**Report of:** The Deputy Chief Executive and City Treasurer

---

### Summary

This report provides the Committee with confirmation that the 2021/22 accounts have now been finalised and an unqualified Audit Opinion has been issued by the external auditors. The report also provides the planned timeline for the 2022/23 audit and 2023/24 accounts consolidation.

### Recommendations

It is recommended that the Audit Committee:

- 1) Note that the 2021/22 audit is fully complete and an unqualified audit opinion has been issued.
  - 2) Note the timeline for 2022/23 audit and 2023/24 consolidation.
- 

### Wards Affected: All

<b>Environmental Impact Assessment</b> - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
None

<b>Our Manchester Strategy outcomes</b>	<b>Summary of how this report aligns to the OMS</b>
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The effective use of resources underpins the Council's activities in support of its strategic priorities as set out in the Corporate Plan which is underpinned by the Our Manchester Strategy.
A highly skilled city: world class and home grown talent sustaining the city's economic success	

A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

### Contact Officers:

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

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

Name: Samantha McArdle  
Position: Head of Corporate Finance  
Telephone: 0161 234 3472  
E-mail: samantha.mcardle@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 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

[Audit Committee report 12 April 2022 – Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty](#)  
[Audit Committee report 27 September 2022 – Draft Annual Accounts 2021/22](#)  
[Audit Committee Report 13 June 2023 - Update on Progress on the Audit of the Final Accounts for 2020/21 and 2021/22 and finalising the Draft Accounts for 2022/23](#)  
[Audit Committee 19 September 2023 - External Audit Completion Report 2021/22](#)  
[Audit Committee report 19 September 2023 – Final Statement of accounts 2021/22](#)

## **1. Introduction and Background**

- 1.1. The draft Annual Accounts for 2021/22 were reported to the Audit Committee on 27 September 2022. At the September 2023 meeting the committee received details of the amendments made to the accounts following the work undertaken by the Council's External Auditors, Mazars. Committee members were advised that the external audit of these accounts was substantially complete, subject to several outstanding items that were not expected to change the audit opinion. The Council has now received an unqualified audit opinion for the 2021/22 accounts.
- 1.2. As set out in previous reports to this committee the Council's position is in the context of significant audit delays nationally. Just 12% of local government bodies received audit opinions in time to publish audited accounts for 2021/22 by the statutory publication deadline of 30 September. It was reported on the 16th November that just 35% of 2021/22 audits have since been completed nationally, from 58 in June to 108 in November. Seven authorities have had their 2022/23 accounts audited.
- 1.3. There is consensus across all parties involved that the backlogs must be addressed and a return to timely consolidation and audit across the sector is imperative. In July 2023, the Department for Levelling Up, Housing and Communities (DLUHC) announced a range of proposals. These included setting statutory deadlines and issuing qualifications and disclaimers of opinion in the short term. The proposals were expected to be implemented by the end of the year, an update from DLUHC is awaited.

## **2. 2021/22 Final Accounts**

- 2.1. In relation to the 2021/22 audit, the outstanding matters highlighted at the September 2023 meeting have now been resolved. The Council has received an unqualified audit opinion. In Mazars opinion, the Council's financial statements:
  - give a true and fair view of the financial position of the Council and the Group as at 31st March 2022 and of the Council's and the Group's expenditure and income for the year then ended; and
  - have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Code Update.
- 2.2. There have been no changes to the draft accounts that affect the usable reserves of the Council, and therefore its underlying resource position. The

conclusion in relation to matters which were outstanding at September 2023 is summarised as follows.

- Pension Liability – Work was completed on the final actuarial valuation report received, this has not resulted in any further matters to report.
- Movement in Reserves Statement – The conclusion of this work resulted in a reclassification of items in the Capital Adjustment account in note 39d which has been updated.
- Cost of Services expenditure and income – no further matters to report.
- Cash flow statement – no further matters to report.
- Financial Instrument disclosures – This work concluded that two financial assets with a total value of £2.5m have the correct carrying value, however, they have been misclassified. This will be corrected in the 2022/23 accounts.
- Group Consolidation – This work concluded there were adjustments required, largely relating to issues identified in the 2020/21 audit which were not resolved in time to be corrected in the 2021/22 draft.
- Final Review procedures – this work concluded that an item disclosed as a contingent asset should in fact be treated as a debtor and included on the Balance sheet. The value is £2.5m and this will be revised in the 2022/23 accounts.
- Post Balance Sheet Events - no further matters to report.
- Financial statements, Annual Governance Statement and letter of representation – The materiality levels were updated to reflect the audited position. There are no further matters to report.

2.3. Further details can be found in the Auditors Annual Report and the Audit Completion report elsewhere on this agenda. This report is supported by Appendix 1 which shows the final 2021/22 main statements. The final published 2021/22 accounts can be found on the Council's website.

### **3. Accounts timetable**

3.1. The 2022/23 draft accounts were presented to this committee on 25 July 2023 and published for public inspection on 14 August 2023. These have now been updated to reflect the final changes agreed as part of the 2021/22 audit process.

3.2. Planning for the external audit is well underway with several system walkthroughs having taken place. The full audit will begin in January with an anticipated completion of March 2024.

3.3. Alongside this work planning is well underway for the consolidation of the 2023/24 accounts. The statutory deadline for the publication of draft accounts

remains the 31 May which is incredibly challenging, especially in relation to the group accounts and obtaining information from external bodies. However, every effort will be made to achieve this deadline and present the draft accounts to this committee In June 2024.

3.4. In summary the planned timetable for future reports to this committee is as follows:

<b>Audit Committee Meeting</b>	<b>Accounting Year</b>	<b>Report</b>
February 2024	2022/23	Mazars report - Audit Strategy Memorandum 2022/23
February 2024	2023/24	Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty 2023/24
March 2024	2022/23	Annual Audit report and completion letter 2022/23
June 2024	2023/24	Draft accounts 2023/24
tbc	2023/24	Annual Audit report and completion letter 2023/24

#### **4. Conclusion**

4.1. The completion of the Audit is a statutory requirement and both the Council and our external auditors are working closely together to get back on track after a difficult few years. The completion of the 2021/22 accounts is an important step in the right direction and there is a clear plan in place to conclude the 2022/23 audit and consolidate the 2023/24 accounts in a timely manner.

## Appendix 1 – Financial Statements

### 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 financial statements section of the narrative report.

Restated 2020/21 Gross Expenditure £'000s	Restated 2020/21 Gross Income £'000's	Restated 2020/21 Net Expenditure £'000's		Notes	2021/22 Gross Expenditure £'000's	2021/22 Gross Income £'000's	2021/22 Net Expenditure £'000's
284,455	(81,530)	202,925	<b>Continuing operations</b>				
48,438	(31,574)	16,864	Adults Social Care		300,869	(74,350)	226,519
553,971	(399,577)	154,394	Homelessness		60,202	(40,867)	19,335
367,616	(246,089)	121,527	Children's Services		596,956	(407,674)	189,282
180,527	(61,433)	119,094	Corporate Core		361,054	(231,733)	129,321
40,031	(36,565)	3,467	Neighbourhoods and Highways		195,720	(79,878)	115,842
			Growth and Development		58,470	(35,962)	22,508
7,001	(10,629)	(3,628)	Corporate Items		7,354	(10,333)	(2,979)
4,775	0	4,775	Council - Wide Costs		5,823	0	5,823
70,459	(86,436)	(15,977)	Housing Revenue Account		78,978	(86,331)	(7,353)
<b>1,557,274</b>	<b>(953,833)</b>	<b>603,441</b>	<b>Net cost of services</b>		<b>1,665,425</b>	<b>(967,128)</b>	<b>698,296</b>
			<b>Other operating expenditure</b>				
0	(10,483)	(10,483)	Gains / (Losses) on disposal of non-current assets	20	11,626	(6,069)	5,557
69,166	0	69,166	Levies		67,210	0	67,210
2,566	0	2,566	Payments to government housing capital receipts pool	9	2,554	0	2,554

Restated 2020/21 Gross Expenditure £'000s	Restated 2020/21 Gross Income £'000's	Restated 2020/21 Net Expenditure £'000's		Notes	2021/22 Gross Expenditure £'000's	2021/22 Gross Income £'000's	2021/22 Net Expenditure £'000's
71,732	(10,483)	61,249	Total other operating expenditure		81,390	(6,069)	75,321
154,828	(160,085)	(5,257)	Financing and investment income and expenditure	13	156,008	(170,108)	(14,100)
40,757	(734,531)	(693,774)	Taxation and non-specific grant income and expenditure	14	38,734	(765,418)	(726,684)
1,824,591	(1,858,932)	(34,341)	(Surplus) or Deficit on provision of services		1,941,556	(1,908,723)	32,833
			Items that will not be subsequently classified in the (Surplus) / Deficit on Provision of Services				
	(151,827)		(Surplus) / deficit on revaluation of property, plant and equipment assets	39a			(274,388)
	7,996		Impairment losses on non-current assets charged to the Revaluation Reserve	39a			11,826
			Business Combination – transferred pension liabilities	41			37,967
	297,623		Re-measurements of the net defined benefit liability	41			(591,288)
			Items that will be subsequently classified in (Surplus) / Deficit on Provision of Services				
	2,734		(Surplus) / deficit from investments in equity instruments designated at fair value through other comprehensive income	39b			(3,115)

Restated 2020/21 Gross Expenditure £'000s	Restated 2020/21 Gross Income £'000's	Restated 2020/21 Net Expenditure £'000's		Notes	2021/22 Gross Expenditure £'000's	2021/22 Gross Income £'000's	2021/22 Net Expenditure £'000's
		156,525	Total other comprehensive income and expenditure				(818,997)
		122,184	Total comprehensive income and expenditure				(786,164)

## **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 2021 £000's		Note	31 March 2022 £000's
	<b>Non-current assets</b>		
2,200,602	Property, plant and equipment	19a	2,578,070
538,992	Infrastructure	19b	552,732
635,802	Heritage assets	22	637,312
476,130	Investment properties	28	493,722
260	Intangible non-current assets		196
	Long-term investment in subsidiaries, associates and joint ventures	31	141,512
138,964			
12,403	Other long-term investments	31	13,269
446,633	Long-term debtors	32	486,233
<b>4,449,786</b>	<b>Total non-current assets</b>		<b>4,903,045</b>
	<b>Current assets</b>		
541	Inventories and long-term contracts		604
213,410	Short-term debtors	32	168,999
49,265	Cash and cash equivalents	46	143,350
6,339	Short-term assets held for sale	24	5,569
269,555	<b>Total current assets</b>		<b>318,522</b>
<b>4,719,341</b>	<b>Total assets</b>		<b>5,221,567</b>
	<b>Current liabilities</b>		
(184,675)	Short-term borrowing	37	(20,610)
(234,867)	Short-term creditors	33	(301,236)
(19,992)	Short-term provisions	36	(23,250)
(12,143)	Short-term deferred liabilities	35	(9,954)

31 March 2021 £000's		Note	31 March 2022 £000's
(451,677)	Total current liabilities		(355,050)
4,267,664	Total assets less current liabilities		4,866,517
	Long-term liabilities		
(1,026)	Long-term creditors	33	(893)
(110,306)	Long-term provisions	36	(99,939)
(578,556)	Long-term borrowing	34	(819,672)
(144,269)	Long-term deferred liabilities	35	(135,115)
(9,420)	Capital grants receipts in advance		(9,505)
(949,456)	Pensions liability	41	(540,599)
(1,793,033)	Total long-term liabilities		(1,605,722)
2,474,631	Net assets		3,260,795
	Financed by:		
(911,537)	Usable reserves	38	(836,098)
(1,563,094)	Unusable reserves	39	(2,424,697)
(2,474,631)	Total reserves		(3,260,795)

## 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 / deficit on the provision of services line includes accounting adjustments for such items as depreciation that would be a significant cost in a commercial organisation but which do not need to be funded by Council Tax. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

	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 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	(26,372)	(7,968)	0	0	0	(34,341)	156,525	122,184
Adjustments between accounting basis and funding basis under regulations	(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	122,184
Balance at 31 March 2021	(606,341)	(111,166)	(93,956)	(94,005)	(6,069)	(911,537)	(1,563,094)	(2,474,631)
Movement in reserves during 2021/22								
Total comprehensive income and expenditure	37,227	(4,394)	0	0	0	32,833	(818,997)	(786,164)

	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	40,123	9,472	(20,418)	15,633	(2,205)	42,606	(42,606)	0
(Increase) or decrease in year	77,351	5,077	(20,418)	15,633	(2,205)	75,439	(861,603)	(786,164)
Balance at 31 March 2022	(528,990)	(106,089)	(114,374)	(78,371)	(8,274)	(836,098)	(2,424,697)	(3,260,795)

## Cash Flow Statement

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

2020/21 £000s		Note	2021/22 £000s
34,341	Net (deficit) / surplus on the provision of services		(32,833)
61,016	Adjustments to net (deficit) / surplus on the provision of services for non-cash movements	47	292,714
(106,246)	Adjustments for items included in the net (deficit) / surplus on the provision of services that are investing and financing activities	48	(108,796)
(10,889)	<b>Net cash flows from operating activities</b>		151,085
(205,308)	Investing activities	50	(121,321)
131,478	Financing Activities	51	64,321
(84,719)	<b>Net increase or (decrease) in cash and cash equivalents</b>		94,085
133,984	Cash and cash equivalents at the beginning of the reporting period		49,265
49,265	<b>Cash and cash equivalents at the end of the reporting period</b>	46	143,350