STOCKPORT METROPOLITAN BOROUGH COUNCIL STATEMENT OF ACCOUNTS AUDITED

2020/21

CONTENTS

PART 1

STOCKPORT METROPOLITAN BOROUGH COUNCIL STATEMENT OF ACCOUNTS

DEPUTY CHIEF EXECUTIVE'S (SECTION 151 OFFICER) NARRATIVE REPORT

I am pleased to present the Council's 2020/21 Statement of Accounts.

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

- Understand the overarching financial position of the Council and the 2020/21 financial outturn position;
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for appropriately; and
- Be assured of the robustness of the Council's financial standing.

Government have continued to provide Local Authorities flexibility over the production of their Annual Statement of Accounts in 2020/21 in recognition of the impact of the pandemic. The legislation for 2020/21 requires draft accounts to be produced no later than 31 July rather than the 31 May deadline pre-pandemic. Despite this Officers across the Council have worked diligently to ensure the Council's accounts have been prepared on a timely basis. Whilst the Annual Statement of Accounts are an important financial review and position of the past twelve months, timely production allows the Council to focus on addressing the significant financial challenges ahead, and to continue the Council's and Borough's recovery from the financial impact of the pandemic. The draft accounts were produced and handed to the Council's External Auditors on 14 June 2021.

During the year the Council has been faced with the unprecedented challenges of a global pandemic which has meant significant changes to the way the Council has had to operate and deliver services to Stockport businesses and residents. The Council has witnessed the inspirational response of local communities, businesses and partners across Stockport in the face of the many challenges - affecting all facets of people's lives. For many in our communities this period has also been a time of struggle and that whilst coming together as a community, many have been apart from loved ones, experiencing difficult circumstances. It has been encouraging to witness the partnership working with our local communities, businesses and partners across Stockport to react and adapt to the required new ways of working and service delivery over the past twelve months. This has ensured the continuation of services and the stepping up of new services to support communities through the many challenges of the past twelve months.

The financial impact of the pandemic on the Council has been significant with additional costs of response and loss of income as a result of national lockdowns and tier restrictions. The Council has received financial support from Government to address this in part, in addition to administering support schemes to business and residents on their behalf. This funding and the continuation of it in 2021/22 has been welcomed but it is also recognised that it is one-off financial support rather than permanent funding and the Council will need to ensure its own financial sustainability over the medium-term not only to address the Covid-19 financial scarring impacts but also the costs of increasing demand for services, changing demographics and inflationary pressures.

It is pleasing to report that the Council's financial position remains robust and resilient despite the uncertainty and volatility of the financial landscape over the past twelve months. Key to this is the robust financial management during the year demonstrated by the financial position presented in these accounting statements. This is a combination of the Council's financial management including its budget monitoring, medium-term financial planning, Capital Strategy, Treasury Management Strategy and Reserves Policy which has enabled the Council to direct available resources as required to mitigate the financial impact of the pandemic whilst minimising the impact on the achievement of the Council's longer term priorities and investment plans. Alongside the Government support funding this has resulted in a manageable year-end position and the setting of a robust and resilient budget in 2021/22 supporting the Council's transformation priorities over the medium-term period. It is testament to the hard work of Members and Officers across the Council who have embedded a strong culture of financial management that has meant we have achieved this position without the need for Section 114 notices (declaring bankruptcy) or Government capitalisation directives.

However, it is recognised that financial risks in the forecast and assumptions underpinning the Council's medium-term financial planning remain, particularly in 2021/22 as the national and local economy continues to recover. The financial legacy of Covid-19 is expected to be long lasting beyond 2021/22 as restrictions are gradually lifted and national vaccine programme roll out continues. The Council's Medium-Term Financial Plan (MTFP) reflects this and will continue to be updated to address the continuing uncertainty and volatility of the financial landscape. The Council remains committed to its MTFP Strategy and the transformational change needed to ensure the Council continues to move towards being self-sufficient in terms of its funding over the medium-term period. This will provide the financial robustness needed to deliver the Council's longer-term ambitions in terms of its transformation, and the delivery of the Council Plan and the One Stockport Borough Plan.

The pandemic has delayed some key Government decisions about the future direction of Local Government funding. The 2021/22 Local Government Finance Settlement was again a one year funding settlement, providing no certainty about funding beyond 2021/22. A multi-year spending review by Government to determine the distribution of funding across Local Authorities over a medium-term period is still expected but will be subject to the completion of delayed reforms linked to the Fairer Funding Formula and Business Rates. Whilst this is in part due to the national economic impact of the pandemic and the Government's need to have certainty about the financial position for the country over the medium-term period, the uncertainty, volatility and complexity of the financial landscape is making the Council's own medium-term financial planning difficult. The Finance Team will continue to work with Members and Officers across the Council within the framework of the MTFP Strategy to address the significant financial challenge ahead. This will ensure the Council's revenue budget, capital budget and MTFP are robust on a recurrent basis to provide a foundation on which to address and deal with the uncertainty, volatility and risk inherent in the financial landscape.

During the year, the Finance Service has continued to provide excellent financial leadership across the Council through its robust financial management. This has been achieved despite the many challenges of the pandemic. The vision for the service continues to be a service which is innovative, providing excellent financial leadership, and enabling colleagues across the organisation to effectively manage the finances of the Council. A culture of continuous improvement is at the heart of this, ensuring the service is fit for the future and continues to provide robust and resilient financial management for the Council whilst identifying new ways of working and enabling services to deliver on their own transformation priorities and ambitions.

The following Narrative Report provides information about Stockport. It highlights the key issues affecting the Council and its Statement of Accounts and includes a summary of the Council's financial position as at 31 March 2021.

Michael Cullen
Deputy Chief Executive (Section 151 Officer)

INTRODUCTION TO STOCKPORT

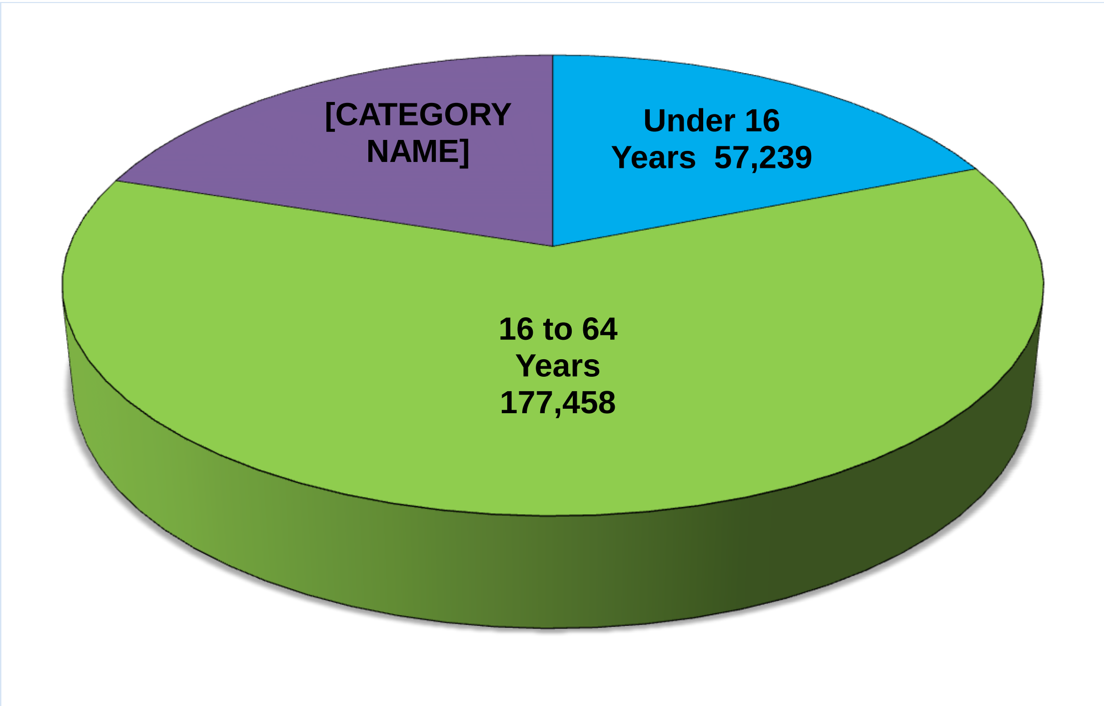
Stockport Council is one of ten Local Authorities in the Greater Manchester region. It is situated in between the Peak District, the Cheshire Plain and one of the UK's fastest growing cities, Manchester. Stockport is a Borough of independent shops, great schools, thriving businesses and strong communities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

Similar to other Local Authorities across the country the Council faces significant financial challenges due to the uncertainty, volatility and risk within the financial landscape that has worsened during the pandemic. The financial challenge of the past twelve months has been unprecedented and required robust and resilient financial management to mitigate the financial impact whilst the national and local economy recovers. A fundamental part of the Council's recovery is its transformation programme and how it plans to 'build back better' through its One Stockport approach The need to transform and ensure it is a sustainable organisation fit for the future is fundamental to the achievement of the Council's ambitions. A robust and resilient financial platform is enabling this transformation despite the challenges and ensuring a better future for the Borough.

KEY FACTS ABOUT STOCKPORT

Population

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



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

Local Economy

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

The strength of Stockport's economy is supported by its strategic location, range of business premises, prosperous residential areas and excellent connectivity all of which contributes to a thriving and diverse economy, including many high-growth business start-ups and headquarters of both national and international firms. The Borough is occupied by nearly 13,345 businesses and has the third largest workforce in Greater Manchester, with 135,000 people employed in the Borough. This strength is further illustrated by Stockport's employment rate of 76.9% and economic activity rate of 80.7%, both of which continue to exceed regional and national averages.

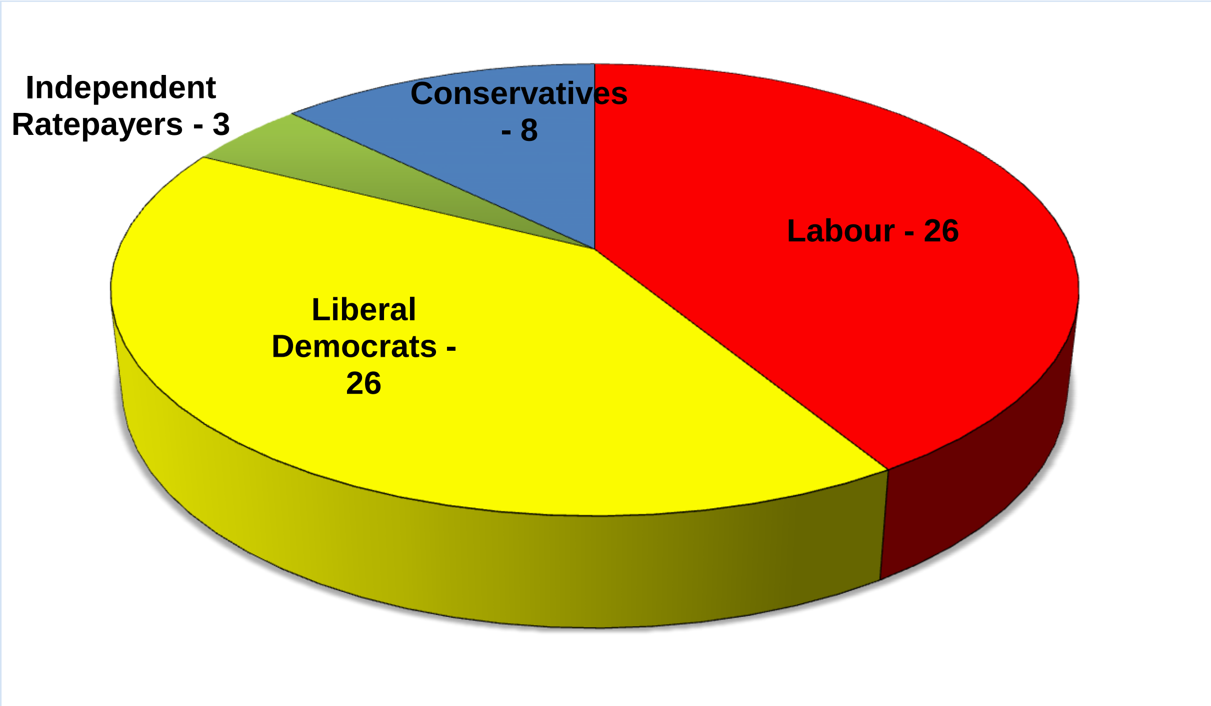
Historically, Stockport has experienced low levels of unemployment relative to regional and national averages. However, the effect of the pandemic has been to increase out of work benefit claimant rates by 98.8% from pre-pandemic levels for the working age population to a current rate of 5.9%. Young people aged 18-24 have been particularly hard hit with their rate now at 10.6%. During the year Stockport businesses made use of the Government's furlough scheme to support employees. In addition. Stockport's self-employed population made use of the Government's Self-Employed Income Support Scheme, the Promotion of Self-Employed Income Support Scheme (SEISS). The Council has supplemented the national support and will continue to offer these support services to residents when the Government support ends in September 2021 as part of its pandemic recovery. This includes a jobs matching service to help residents match their skills to available jobs across the Borough and working with partners such as the Stockport Credit Union and Stockport Citizens Advice Bureau to support residents facing financial hardship with support, advice and guidance.

Over £111m of grant support through more than 18,000 Covid-19 business support grants have been administered and paid by the Council to over 6,500 local businesses to help them to survive periods of lockdowns and tier restrictions during the year. Through the support grants and the One Stockport campaign, businesses and the local economy are being supported to make a strong recovery from the pandemic. This is a key part to the ongoing development of a new economic plan for Stockport which is key to the Borough's pandemic recovery.

Political Structure

The Borough of Stockport is made up of twenty-one wards with three Councillors representing each ward. During 2020/21 the political make-up of the Council was unchanged due to the postponement of the Local Elections in May 2020 due to the pandemic.

The political make-up of the Council during 2020/21 is shown below:



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

The Cabinet Member Portfolios and their Cabinet Members during 2020/21 were:

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

Council Plan

The Council Plan is an organisational plan that sets a high-level framework for decision making throughout the financial year. It is a public-facing summary document that sits above the annual Portfolio Performance and Resource Agreements that set out the key performance measures for each Portfolio area of the Council. The plan has been developed amidst the challenges of the pandemic and the Council's ongoing response and recovery activity is prominent across the priorities within the plan. The plan brings together the positives that have been key to the Council's response – particularly the joint work and collaboration – towards building a hopeful and ambitious future for Stockport.

At the heart of this plan are the people, place and communities of Stockport. Enabling improved outcomes for all citizens and communities and ensuring that they can be resilient, independent and lead happy, healthy lives is a fundamental part of the Council's ambition, what it does, why it does it and how the Council works. This is captured in the four shared outcomes:

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

The Council Plan sets out the framework for delivering these outcomes and incorporates the key principles identified by Cabinet, underpinned by an inclusive vision for growth and reform. The Greater Manchester Strategy priorities continue to be integrated into the Plan. The plan also describes how we will work, as a modern, person centred and ambitious organisation, to deliver our priorities through four unifying themes:

- We are a council that is built around our communities;
- We are a council that maximises the opportunities of digital;
- We are a council that values partnerships and collaboration; and
- We are a council that cares about our staff and engages them in the future.

One Stockport Borough Plan

Alongside the Council Plan, the Council has been working with partners across Stockport to develop a new 'One Stockport Borough Plan'. This plan is for everyone in the Borough, working in partnership with other public sector bodies, housing, school and college leaders, and voluntary, community and social enterprises in Stockport. It provides the basis for partnership working and engagement moving forward, with three core values around inclusion, ambition and collaboration underpinning the key themes of 'One Heart', 'One Home' and 'One Future'. The insight captured from continuing engagement with local communities, businesses, public sector partners and elected members will shape the Council's long-term vision and priorities for the borough over the next decade.

The draft One Stockport Borough Plan was approved by Council at their budget meeting in February 2021 as the basis for further engagement and adoption by partner organisations. The final version is due to be published in 2021, supported by detailed delivery plans. For the Council, this will be through the 2021/22 Council Plan and Portfolio Performance and Resource Agreements.

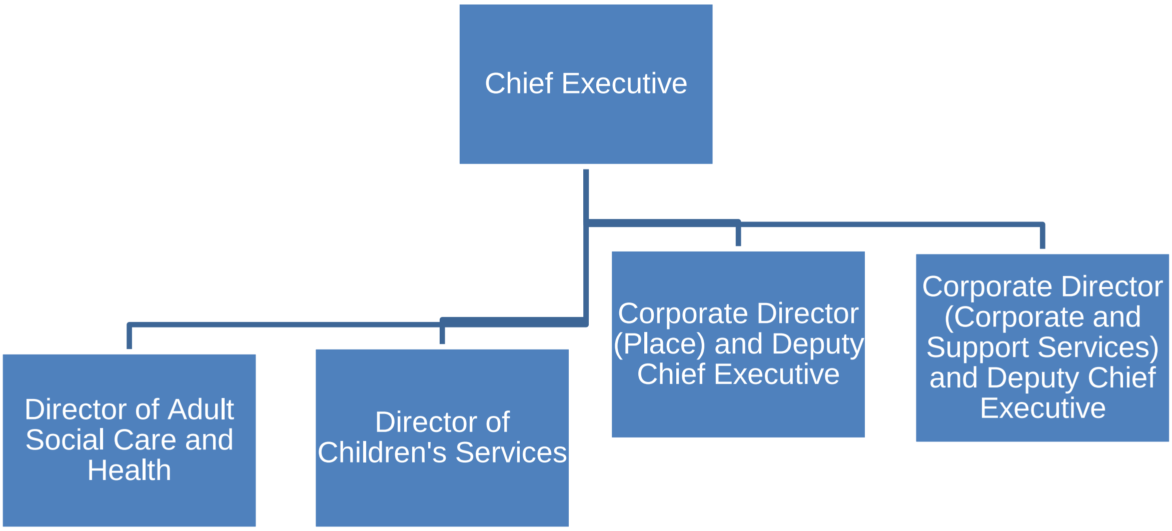
Corporate Leadership Team Structure

The Council's Corporate Leadership Team (CLT) supports the work of the Councillors. CLT is responsible for the delivery of Council Services, directing improvements and the future plans for the Borough. The Team provides managerial leadership and supports Councillors in:

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

During the first half of the year CLT was headed by the Council's Chief Executive, Deputy Chief Executive, two Corporate Directors, Director of Adult Social Care and Director of Children's Services. During the year the Deputy Chief Executive became the Executive Director of Adult Social Care and Health, and the two Corporate Directors took on the additional role of Deputy Chief Executive. Each Director has responsibility for a Directorate Leadership Team (DLT).

On departure of the Executive Director of Adult Social Care and Health in October 2020, CLT was restructured as follows:



Council Employees

At the start of April 2020, the Council employed 2,397 full time equivalents (FTEs) excluding school-based employees. By March 2021 this had increased to 2,440 FTEs. The longer-term trend, however, shows a significant reduction in the Council's workforce from 2,978 FTEs in 2012. The Council recognises the importance of its employees in building an organisation fit for the future. Responding to the financial challenges faced by the Council will require a transformed organisation and different ways of working.

The pandemic has had a significant impact on the Council's workforce since March 2020 in terms of new demands, working patterns, supporting technology and greater awareness of health and wellbeing. Most notable has been the working from home arrangements and the increased flexibility to enable the workforce to deal with the many challenges of the past twelve months. Using the Council's existing values and behaviours as a starting point, along with engagement via a series of 'Let's Talk' employee surveys and building on the many positives and opportunities of the past twelve months, a new One Team People Strategy is being developed. This is due to launch in summer 2021 and will be based on five 'pillars':

- We support each other;
- We learn and develop;
- We want you to join us;
- We are inclusive; and
- We live our values.

Underpinning this strategy is the recognition of the importance of the Council's workforce in building an organisation fit for the future. Responding to the significant financial challenges faced by the Council will require a transformed organisation that embraces change and new ways of working. The strategy builds a solid foundation to support this and develop a bold, resilient and talented workforce, integrated and designed to focus on outcomes with the right skills, shared values and commitment to Stockport residents. This ensures the Council has Officers in the right place with the right skills and the right tools to do their jobs, whilst prioritising limited resources efficiently in order to retain and attract talent.

Council Values

The Council's values and behaviours run through everything the Council and its Officers do regardless of the challenges faced, 'the Stockport Way of doing things'. These values have been key to the Council's pandemic response and remain core to the way the Council works and achieving its priorities and ambitions through the Council Plan. The Council's values and behaviours are:

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

Greater Manchester Devolution and Partnership Working

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

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

- The Leader of the Council was the GM Portfolio lead on Economy during the year; and
- The Council's Chief Executive was the Chief Executive Portfolio Lead for Equalities and Ageing during the year.

Much of the focus during 2020/21 has been around the regional response to the pandemic, both in terms of co-ordination of health and social care and supporting economic recovery. A 'Living with Covid Resilience Plan' has been developed and provides a framework and clear set of priorities to support the effective delivery of services and support as the city-region emerges from the pandemic. Fundamentally, the priorities of the GM Strategy still stand. Covid-19 has required these to be revisited, and approaches, actions and prioritisation against GM ambitions adapted and changed to respond to the pandemic context. The year ahead will be one of further change and adaptation around delivery, given the changeable nature of the impacts arising from Covid-19.

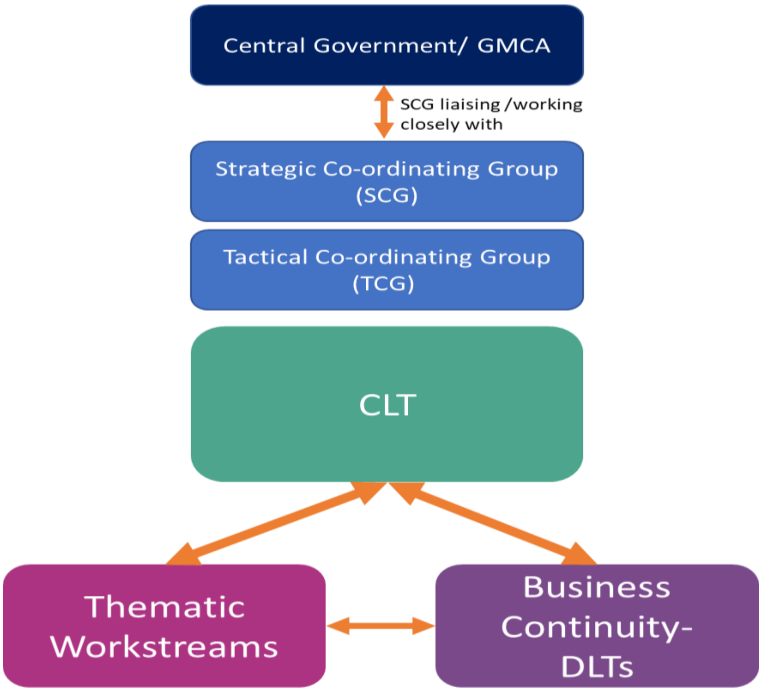
Some of the key actions for the Combined Authority include:

- Developing a system-wide approach to tackling inequalities and driving inclusive economic growth;
- Building on 'Everyone In' to develop a sustainable response to homelessness;
- Developing integrated neighbourhood services;
- Tackling digital exclusion;
- Supporting a return to schools and colleges, including wellbeing support;
- Identifying and managing increases in safeguarding issues;
- Delivering an employment and skills recovery plan, with targeted areas of support;
- Implementing a GM Social Value framework and Good Employment Charter;
- Developing support infrastructure for the Voluntary, Community and Social Enterprise (VCSE) sector;
- Delivering retrofit programmes as part of greener economic recovery;
- Supporting business and social enterprises to innovate and adapt;
- Delivering a cultural recovery plan; and
- Develop sustainable mutual aid networks.

2020/21 FINANCIAL PERFORMANCE OF THE COUNCIL

Covid-19 Financial Impact and Response

The spread of Covid-19 created unprecedented circumstances within which the Council, working with our communities and partners, has had to respond. The Council's pandemic response has been very much guided by advice and guidance provided by Government. CLT have reviewed guidance and announcements daily throughout this pandemic and established a robust and responsive governance to facilitate cross partnership and organisational response. This has included close working with Government and Greater Manchester as shown below:



Going forward the Council will continue to work with colleagues and partners both locally and across Greater Manchester to ensure that recovery plans focus on a ‘Build Back Better’ approach and ensure communities are prepared for moving to a ‘new normal’ and living with Covid-19. This will help to make Stockport even stronger in the future and is the focus of the One Stockport Borough Plan.

The Covid-19 financial impact has been significant, adding to the already uncertain, volatile and risk inherent financial landscape. During the year the Council has continually assessed its financial impact forecasts as part of the monthly financial impact returns to Government. This has ensured robust and informed decision making about the mitigation of this impact. The financial impact has been addressed through a combination of one-off Government support funding, budget savings due to reductions in service activity as a result of the lockdowns and restrictions and use of the Council’s available one-off resources. The 2020/21 outturn position presented in this report demonstrates how the Council has managed this position during the year to reduce spending and use available one-off resources to mitigate the financial impact. The robust and resilient financial management in terms of the Council’s budget monitoring, medium-term financial planning and Reserves Policy has helped the Council to do this. As a result, a manageable financial position has been achieved in 2020/21.

The MTFP financial scarring impact of the pandemic is expected to be long lasting. It remains uncertain what permanent impact the lockdowns and tier restrictions over the past twelve months will have on the national and local economy. The gradual release of these restrictions may for example result in a slower than expected recovery and longer lasting financial scarring impacts. The MTFP approved in February 2021 has taken this into consideration and reflects this position to ensure the underpinning assumptions and forecasts have been set on a robust and resilient basis. Whilst the in-year support funding from Government and continuation of support funding in 2021/22 is welcomed, the financial impact is expected to be long

lasting extending beyond this financial year, and in some areas may not recover fully.
In achieving a balanced budget in 2021/22 the Council has addressed a forecast saving requirement of £23.341m (increase from £8.743m saving requirement approved in February 2020). However, significant risks remain in the underpinning MTFP forecasts and assumptions for 2021/22, which could have an adverse impact on the Council's financial position. The financial position will be monitored during the year and adverse financial impact mitigated appropriately through the Council's robust financial management.

The approved saving requirement for 2022/23 is significant, a forecast saving requirement of £23.177m due to forecast costs of increasing demand and inflationary cost pressures in addition to the Covid-19 financial scarring impacts. The MTFP forecasts and assumptions will continue to be updated to reflect the impact of national and local decisions and announcements in terms of the progress of the national recovery roadmap and vaccine rollout, and the impact this has on the forecast Covid-19 financial scarring impacts included in the MTFP. Alongside this the Council will also complete its annual review of the Reserves Policy to ensure resources held in reserves are aligned to the Council's corporate and strategic objectives and provide resilience to mitigate on a short-term basis the financial impact.

Despite the significant challenges the Finance Team will continue to build on the Council's robust and resilient financial management processes to ensure the impact continues to be assessed and mitigated. This includes:

- Budget monitoring and forecasting of the 2021/22 outturn position to understand the financial position of the Council during the year and highlight early any emerging financial risks.
- Annual review of the Council's Reserves Policy to ensure the Council's one-off resources are aligned to its priorities and continue to support its financial resilience;
- Monitoring the Council's Capital Programme to understand the revenue implications of capital investments; and
- Continual updates of the Council's MTFP during 2021/22 to retest the underpinning assumptions and forecasts, particularly in terms of the Covid-19 financial scarring impacts, to ensure the Council's medium-term financial planning is robust and informs decision making.

Covid-19 Grant Schemes

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 through the many challenges of the pandemic. 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. As part of the Council's 2020/21 Statement of Accounts, the Council has had to determine the accounting treatment for these grants including consideration of whether the Council was operating as principal or as an agent of Government when administering them. Accounting standards only require the Council to record transactions in its accounts where it is acting as principal i.e. it has control of the grants awarded. To provide a fuller picture, the table below provides a full summary of all the Covid-19 grant schemes administered by the Council during 2020/21.

Grant description (including Funding Body)	**Credited to taxation & non-specific grant income £000**	**Credited to services £000**	**Balance C/Fwd as Receipt in Advance £000**	**Agent (not included in CIES) £000**
Ministry for Housing, Communities and Local Government (MHCLG):				
Covid-19 LA Support Grant	14,115			
Sales Fees and Charges Support Grant	2,232			
Surge Enforcement Grant		147		
Rough Sleeping LAs		8		
Clinically Extremely Vulnerable Support	859			
Council Tax Hardship	2,446	17		
Tax Income Guarantee	657			
MHCLG/European Regional Development Fund:				
Opening High Streets Grant		118		
Department for Business, Energy & Industrial Strategy:				
Business Support Grants - Mandatory				62,180
Business Support Grants - Discretionary		3,226		
Local Restrictions Support Grants - Mandatory			11,407	23,848
Local Restrictions Support Grants - Discretionary		2,033		
Additional Restrictions Grant		8,815		
Department for Environment, Food and Rural Affairs:				
Emergency Assistance Grant	322			
Department of Health and Social Care:				
Rapid Testing Grant		193	26	552
Workforce Capacity Funding		642		
Contain Outbreak Management Fund		1,832	6,970	
Test and Trace service support		272	1,202	
Infection Control Fund		1,623		4,372
Test and Trace support payments - Mandatory			87	228
Test and Trace support payments - Discretionary		271		
Department for Work and Pensions:				
Winter Package Grant		1,163	6	
Sport England:				
Leisure Support Funding		492		
Others:				
Various new burdens admin grants	670			
Total Covid-19 Grants	**21,301**	**20,852**	**19,698**	**91,180**

2020/21 Revenue Budget and Capital Programme

On the 27 February 2020, the Council approved the 2020/21 Revenue Budget and Capital Programme.

The revenue budget was set at £247.393m, with £185.311m Cash Limit budgets and £62.082m Non-Cash Limit budgets. The Council approved the Council Tax Resolution with a 2.99% increase on Council Tax (including a 2% increase on the Adult Social Care Precept) for 2020/21. The three-year Capital Programme approved £218.815m of resources to be allocated to capital schemes in 2020/21.

Revenue Budget and Capital Programme Monitoring

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

2020/21 Revenue Outturn Position

The Council's 2020/21 revenue outturn position is shown in the table below:

Portfolio	Original Budget £000	Revised Budget £000	Final Outturn £000	(Surplus)/ Deficit £000
Adult Care and Health	93,798	95,628	100,629	5,001
Children, Family Services and Education	40,994	42,480	44,741	2,261
Citizen Focus and Engagement	4,780	4,834	5,282	448
Economy and Regeneration	1,904	2,065	2,486	421
Inclusive Neighbourhoods	403	673	674	1
Resources, Commissioning and Governance	22,612	24,119	31,636	7,517
Sustainable Stockport	20,820	21,390	25,159	3,769
Total Cash Limits	**185,311**	**191,189**	**210,607**	**19,418**
Total Non-Cash Limits	**62,082**	**56,656**	**61,935**	**5,279**
Total Expenditure	**247,393**	**247,845**	**272,542**	**24,697**
Financed By				
Council Tax	148,217	148,217	148,217	0
Covid-19 Increased LCTS Support*	0	0	(1,516)	(1,516)
Adult Social Care Precept	14,501	14,501	14,501	0
Business Rates	76,294	76,294	79,924	3,630
Return of Business Rates from GMCA	0	0	1,307	1,307
Business Rates – Tariff	(17,230)	(16,778)	(16,778)	0
Business Rates Section 31 Grants	12,956	12,956	54,866	41,910
Collection Fund Balance Distribution*	1,285	1,285	2,393	1,108
New Homes Bonus	1,390	1,390	1,390	0
Better Care Fund Allocation	6,333	6,333	6,330	(3)
Social Care Grant	7,015	7,015	7,015	0
Covid-19 Grants***	0	0	21,201	21,201
Appropriation to Collection Fund Reserve**	0	0	(46,847)	(46,847)

Appropriation from Earmarked Reserves***	216	216	13,662	13,446
Appropriation to Earmarked Reserves***	(3,584)	(3,584)	(6,931)	(3,347)
Appropriation to General Fund Balance***	0	0	(5,170)	(5,170)
Total Resources	**247,393**	**247,845**	**273,564**	**25,719**
Outturn	**0**	**0**	**(1,022)**	**(1,022)**

**As part of the Covid-19 response the Council received grant funding from Government to support eligible residents with their Council Tax payments. The Council Tax relief given to residents results in a cost (in terms of reliefs reducing Council Tax income collection) of £1.516m to the Council which has been charged to the General Fund and funded by the Council's Council Tax Hardship Fund grant allocation.*

***The £41.910m surplus on Business Rates Section 31 grants includes £41.508m of grant received by the Council to compensate for the loss of Business Rates income and includes compensation for the extended retail relief given to retail hospitality and leisure businesses, and nursery providers to support them through the pandemic. The legislation that governs Collection Fund accounting means the related deficit as a result of the loss of Business Rates income in-year will not be charged to the council's General Fund until 2021/22. As a result, the £41.508m has been transferred to the Collection Fund Reserve and will be drawn down to offset the deficit in 2021/22; these resources are not available funds. In addition, £3.630m relating to the budgeted 100% Business Rates Retention Pilot benefit in 2020/21, £1.307m of returned Business Rates income from Greater Manchester Combined Authority and £0.410m balance of Business Rates S31 grants have been transferred to the reserve.*

****The revenue financing position includes Covid-19 related un-ringfenced grants of £21.201m which were not credited to services during the year. This includes £14.115m of Government Covid-19 support and £2.332m of compensation grant for the loss of sales, fees and charges income during the year. Appropriation to and from earmarked reserves and General Fund Balances include £8.276m of Government Covid-19 support funding received in 2019/20 that has been held in reserves to support the Council's 2020/21 financial position. This is offset by transfers to reserves as budgeted for in 2020/21 and as required by accounting practice to reflect the matching of Covid-19 grants received to when spend is incurred. In addition, a £5.170m transfer from available (uncommitted) earmarked reserves to the Council's General Fund Balance is included to ensure the Council's General Fund Balance reflects the amount required per the 2021/22 Budget risk assessment.*

The Council has achieved a surplus of £1.022m for the financial year when comparing budgeted (planned) expenditure with actual (incurred) expenditure. The revenue outturn position for Cash Limit and Non-Cash Limit budgets is a deficit of £24.697m as a result of the cost pressures and income losses due to the pandemic. Government support grants and specific grant allocations of £21.201m received during the financial year and £8.276m transferred from reserves relating to the first tranche of Government Covid-19 support received in 2019/20 has alleviated these pressures resulting in an overall outturn surplus position.

The Comprehensive Income and Expenditure Statement (CIES) shows a deficit on the provision of services of £21.617m. The difference between this and the outturn surplus explained above relates to the adjustments that are made to the CIES through the Movement in Reserves Statement (MiRS) to ensure the Council's General Fund Balance is prepared on a funding basis rather than an accounting basis. Note 2, Adjustments between Accounting Basis and Funding Basis under Regulations reconciles the differences between the CIES deficit and the outturn surplus. Some of the reasons for the differences include:

- Capital investments are accounted for when financed, rather than when it is consumed, for example General Fund Grants and Contributions of £30.893m were credited to the Comprehensive Income and Expenditure Statement in 2020/21;

- Charges for depreciation, revaluation losses and impairment of non-current assets and investment assets of £51.026m in 2020/21;
- Retirement benefits are charged as amounts when they become payable to the pension fund and pensioners, rather than as future benefits are earned (£23.904m for 2020/21); and
- The Minimum Revenue Provision for capital financing is a charge to the General Fund but does not appear in the CIES (£13.460m for 2020/21).

Dedicated Schools Grant (DSG)

The Centrally Held Budget (CHB) is managed by the Council on behalf of schools and consists of a range of services to schools and pupils. The total DSG allocation which is centrally held is £31.663m comprising the High Needs Block (£26.170m), de-delegated funding for services to maintained schools (£3.003m), Central School Services (£1.965m) and Central Reserve/Other (£0.525m). The 2020/21 outturn position on the CHB is a deficit of £2.098m. This is largely as a result of increasing demand and costs relating to pupils with high needs who require education and support in a specialist provision.

The table below provides an update on the DSG deficit balance:

	£000	£000
2019/20 DSG Outturn Deficit	1,302	
2019/20 DSG Funding Early Years Block Adjustment	(163)	
2020/21 DSG Outturn Deficit	2,098	
Adjusted DSG Balance		**3,237**
2021/22 Schools Block Contribution*		(870)
2021/22 High Needs Block Contribution**		(497)
Adjusted DSG Balance – after 2021/22 contributions		**1,870**

**Approved by Schools Forum.*
***Base budget earmarked.*

In November 2020, the Ministry of Housing, Communities and Local Government amended the regulations with regards to deficit balances on DSG budgets. An overall year-end deficit on the DSG is no longer charged to a revenue account and is instead recorded as an unusable reserve, carried forward and funded from future DSG income. The £3.237m DSG deficit balance will therefore be carried forward into the 2021/22 as an unusable reserve and be managed as part of the ongoing DSG Review. The final proposals of the review are due to be presented to Cabinet in 2021.

Whilst addressing the deficit balance, the DSG review is linked closely to the Council's vision to implement a new Integrated Children's and Education strategy aligned to the outcomes/requirements following the local area SEND inspection in autumn 2018 and the subsequent written statement of action that continues to be implemented to support our most vulnerable pupils.

General Fund Balance

General Fund Balances have increased from £10.013m at the start of the year to £16.205m. The increase is due to:

- £0.187m as per the Reserves Policy approved by Cabinet in October 2020 to increase the General Fund Balance to £10.200m as required by the risk assessment of the Council's 2020/21 Budget;
- £4.983m to meet the minimum level of General Fund Balances to be held following the Section 151 Officer's risk assessment of the 2021/22 Budget; and
- £1.022m outturn surplus. This balance will be considered as part of the 2021/22 Reserves Policy review to be reported to the Corporate Resources, Governance and Management scrutiny committee and Cabinet in September 2021.

As part of the Section 151 Officers risk assessment of the Council's 2021/22 Budget, a General Fund Balance of £15.183m (£16.205m less £1.022m) was recommended to be held. It has been assessed that this balance reflects the level of unallocated balances that would be needed to address any unexpected budget pressures in 2021/22. The balance is calculated based on the spending experiences and risks to which the Council might be exposed to and is approved as part of the budget setting process and the risk assessment of the budget. The ongoing uncertainty about the longer-term impact of the pandemic on the national and local economy has been part of this assessment.

Earmarked Reserves

Earmarked reserves represent resources that have been set aside to fund specific commitments and plans. The Council's Reserves Policy governs the use of resources held in earmarked reserves and ensures reserves continue to be held at an appropriate level and aligned to the Council's corporate and strategic priorities and provides the Council with a robust contingency of resources to mitigate risks associated with the financial challenges over the medium-term period. The Council's Reserves Policy was updated during the year.

As already highlighted, the pandemic presented the Council with many challenges and earmarked reserves have been a key part to the mitigation of these. The annual review of the Reserves Policy at the start of the financial year assured the Council resources held in earmarked reserves were sufficient to provide the Council with the required level of financial resilience and robustness. The review provided assurance that resources held could be made available if needed to support the Council's financial response to the pandemic. However, it importantly also recognised the severe impact using resources for Covid-19 financial impact mitigation would have on the Council's financial resilience and robustness over the medium-term period, and the impact this would have on the Council's ambitions and priorities.

Total Earmarked Reserves increased by £57.245m to £133.795m during the year. The increase mainly relates to £41.508m of Business Rates Section 31 grant received by the Council in-year, which includes compensation for the loss of Business Rates income as a result of the extended retail relief given to eligible businesses to support them through the pandemic. These resources are being held in earmarked reserves to offset the Collection Fund deficit created by the reliefs which will be realised in 2021/22. These resources are being held in reserves due to accounting timing differences in terms of the receipt of the grant and their application and are not available resources to fund the Council's general service expenditure. Other increases include:

- Further appropriations to the Collection Fund Reserve include the 100% Pilot Benefit of £3.630m included in the Council's 2021/22 Budget and returned retained Business Rates income from GMCA of £1.307m; and
- Increase to the Health and Social Care Reserve within Strategic Priority Reserves totalling £8.874m of which £3.808m was a return of reserves relating to the contributions for non-acute services for older people in 2019/20. Further contributions for joint funded placements and care academy development were also earmarked to reserves.

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

2020/21 Capital Programme Outturn

The 2020/21 Capital Programme included a significant and diverse range of schemes, many of which span a number of years. Individual capital schemes making up the Programme are regularly reviewed, and the spending profiles are aligned accordingly as the schemes develop. During the year, a net total of £27.735m additional funding for schemes was added to the Programme and £130.477m was re-phased, in part due to the pandemic and the delays this caused to schemes, and to align with the developing schemes expenditure profiles.

The Council successfully delivered its 2020/21 Capital Programme with an outturn expenditure of £116.073m as at 31 March 2021.

As stated above, the Council has a large and varied capital programme, with significant expenditure on housing, highways and regeneration projects. The most notable schemes of the 2020/21 Capital Programme include the following:

- Housing Revenue Account (HRA) £19.672m expenditure on general capital schemes and £1.636m on new build schemes;
- In addition to the HRA schemes above, £17.275m was made available in loans to Stockport Homes Ltd for the Affordable Homes programme;
- A total of £29.680m has been spent on highways projects, including £9.045m on the Highways Investment Programme, £4.493m in total on the Mayoral Walking & Cycling Challenge Fund schemes, £3.560m on the Town Centre Access Plan and £2.973m on Poynton Relief Road;
- Significant Regeneration schemes included £5.565m on the Weir Mill Development, which is part of the Stockport Mayoral Development Corporation scheme, and £2.231m on the final stages of Stockport Exchange Phase 3;
- A total of £10.716m was spent on School Estate Capital Schemes and £3.159m on the Asset Management Plan;
- The Council invested £13.417m in Manchester Airport Group, £3.740m as the final tranche of the Equity Investment and £9.677m shareholder loan.

The shareholder loan was provided to the Airport to contribute to approved capital works;

- £4.000m in loans was provided to Totally Local Company for the Fleet Vehicle Loan Facility; and
- £2.896m was spent during the year on the Street Lighting Investment Programme.

The table below sets out the 2020/21 three-year Capital Programme as at 31 March 2021 by Portfolio and the resources being used to finance it:

Portfolio	2020/21 Programme £000	2021/22 Programme £000	2022/23 Programme £000
Adult Care and Health	148	199	192
Children, Family Services and Education	0	0	24
Economy and Regeneration	40,204	56,104	42,779
Resources, Commissioning and Governance	32,476	49,848	10,023
Sustainable Stockport	43,245	61,027	40,749
Total	**116,073**	**167,178**	**93,767**
Resources			
Capital Grants	32,676	58,367	21,553
Directly Funded Borrowing	40,279	43,820	32,597
Unsupported Borrowing	25,626	44,510	11,394
Capital Receipts	1,352	3,679	8,591
External Contributions	392	1,625	23
Commuted Sums	442	1,644	1,070
Revenue Contributions (RCCO)	2,962	1,626	6,394
HRA Funding From MRR	12,344	11,907	12,145
Total	**116,073**	**167,178**	**93,767**

Treasury Management

The Council's 2020/21 Treasury Management Strategy and Annual Investment Strategy were approved at the Council meeting on 27 February 2020. This sets out the Council's approach to managing its:

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

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

At the end of 2020/21 the Council's treasury position was as follows:

	Financial Year 2020/21			
	General Fund		Housing Revenue Account	
	£000	%	£000	%
Total Debt	525,890	2.57%	104,535	4.54%
Total Investments	24,275	0.10%		
Net Debt	**501,615**		**104,535**	

Borrowing Outturn Position

During 2020/21, the Council maintained an under (internally)-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.

Maintaining an internal borrowing policy during the financial year has given rise to the need for more significant temporary borrowing. The strategy followed in 2020/21 has been to continue to borrow shorter-term cash from the market (other councils) and to draw back liquid investments to meet cashflow requirements. Despite Public Works Loan Board (PWLB) lending terms reverting back to a pre-October 2019 position (when lending terms were increased by HM Treasury by 1%) in November 2020, the Council made a conscious decision to continue with this strategy of short-term borrowing which has resulted in interest savings due to the lower interest rates offered on short-term borrowing from other councils.

The policy of avoiding new long-term borrowing by utilising internal resources and short-term loans, has benefited the Council over the past few years. However, there is a risk that a strategy using temporary borrowing will result in the Council incurring higher interest costs when it can't avoid new long-term borrowing to fund capital expenditure and/or refinance maturing debt if for example there are cash shortages and the availability of temporary borrowing from other councils reduces. During the year higher levels of temporary borrowing have been used to boost short-term investments reserves to a higher level than is usual, aimed at negating this risk. The Council's Treasury Management Officers monitor the Council's cash flow and borrowing position to mitigate this risk taking into consideration the need for long-term borrowing and the appropriate timing.

Investment Outturn Position

The Council's investment policy is governed by MHCLG investment guidance, which has been implemented in the 2020/21 Annual Investment Strategy approved by the Council on 27 February 2020. Investment activity during the year has operated within the boundaries established by the Annual Investment Strategy, with the Council's investment priorities being Security of Capital, Liquidity and Yield. For its cash flow generated balances, the Council used notice accounts, Money Market Funds and a limited number of fixed-term deposits to invest available resources during the year. The treasury management service avoided making any longer-term investments (over 365 days) during 2020/21 as investment rates have remained historically low and thus not beneficial to the Council to do so.

During the financial year, at times the Council has maintained a higher level of investments for cash flow purposes for the following reasons:

- As a risk measure to counteract any shortages in the market as a result of the Covid-19 pandemic in what has been a very turbulent year;
- As a result of significant Government grants for Covid-19 which the Council has necessarily held for a period before paying out to businesses, i.e. before the necessary mechanisms for passporting the funds to businesses had been put in place; and
- As higher PWLB borrowing rates were still in place for much of the financial year (until they were reduced in November 2020), the Council maintained higher levels of cash as external long-term loans were more expensive and the Council did not want to put itself at risk (interest rate risk) of being forced to take new PWLB loans if it could not, on occasion, raise short-term loans.

The table below shows the investment strategy undertaken during 2020/21:

Combined Investments	**Average Balance Invested £000**	**Average Return %**
Quarter 1	85,547	0.57%
Quarter 2	66,748	0.36%
Quarter 3	75,277	0.17%
Quarter 4	50,416	0.14%
Average	**69,558**	**0.33%**

The Council's combined investments generated an average rate of return of 0.33%. This is based on no compounding of interest and can be compared against an uncompounded 7-day LIBID rate of -0.07% (1 month rate of -0.05%, 3 month rate of 0.02%, 6 month rate of 0.07% and 12 month rate of 0.17%) representing good annual performance above the benchmarks for the duration of the portfolio which is liquid in nature. The Council's return exceeds that of the twelve-month LIBID rate even though its weighted average investment duration was just 43.3 days.

Collection Fund

Under legislation, income and expenditure relating to the Council's collection and distribution of Council Tax and Business Rates as a Billing Authority, is accounted for within the Collection Fund. This ensures Collection Fund income and expenditure is isolated from the Council's General Fund account as required by accounting legislation. In recognising the financial impact of Covid-19, during the year the Council has provided additional working age Local Council Tax Support of up to £150 to eligible residents to reduce their 2020/21 Council Tax. The relief given to residents has created a deficit of £1.516m on the Collection Fund due to the resulting Council Tax income loss. As required by Collection Fund accounting, this deficit is not a charge to the Collection Fund and has therefore been recharged to the Council's General Fund (so that there is no impact on the Collection Fund of providing the support to residents). This has been reflected in the outturn position.

The outturn position is a deficit of £46.169m consisting of a £4.748m deficit on the Council Tax and a £41.421m deficit on Business Rates. The Council's share of this deficit is £45.041m made up of £4.034m on Council Tax and £41.007m on Business Rates. The table below provides a summary of the Collection Fund outturn position for 2020/21:

	Council Tax £000	**Business Rates £000**	**Total £000**
Collection Fund Income	(190,810)	(42,203)	(233,013)
Collection Fund Expenditure*	197,074	83,624	280,698
Recharge Council Tax Hardship Fund Support to General Fund	(1,516)	0	(1,516)
2020/21 (Surplus)/Deficit	**4,748**	**41,421**	**46,169**
Allocated to:			
Stockport Metropolitan Borough Council	4,034	41,007	45,041
Greater Manchester Fire and Rescue Authority	217	414	631
Greater Manchester Police and Crime Commissioner	497		497
2020/21 (Surplus)/Deficit	**4,748**	**41,421**	**46,169**

**Includes distribution to the Council and Precepting Authorities during the year.*

The Business Rates deficit outturn position reflects the decision taken by the Government in March 2020, in response to Covid-19, to increase the level of retail discount to 100% for retail, hospitality and leisure businesses, and childcare providers. This was a temporary measure in 2020/21 to support businesses through the pandemic. The deficit created by the reliefs given during the year (due to loss of Business Rates income as a result of the relief to businesses) have been fully compensated by Government through a Section 31 (S31) grant. As the legislation that governs Collection Fund accounting means the reimbursement of the deficit by the council is not realised until 2021/22, the S31 grant will be held in reserves and drawn down to support the council's funding of the deficit in 2021/22.

Taking the additional reliefs into account, the outturn position is a deficit of £5.364m made up of a £4.748m deficit on Council Tax and £0.616m deficit on Business Rates. The Council's share of the deficit is £4.644m made up of £4.034m Council Tax deficit and £0.610m deficit on Business Rates. The table below shows the Collection Fund position that will need to be reimbursed adjusting for the Covid-19 extended retail reliefs:

	Council Tax £000	Business Rates £000	Total £000
Collection Fund Income	(190,810)	(42,203)	(233,013)
Collection Fund Expenditure*	197,074	83,624	280,698
Recharge Council Tax Hardship Fund Support to General Fund	(1,516)	0	(1,516)
S31 Business Rates Extended Retail Relief Grant	0	(40,805)	(40,805)
2020/21 (Surplus)/Deficit	**4,748**	**616**	**5,364**
Allocated to:			
Stockport Metropolitan Borough Council	4,034	610	4,644
Greater Manchester Fire and Rescue Authority	217	6	223
Greater Manchester Police and Crime Commissioner	497		497
2020/21 (Surplus)/Deficit	**4,748**	**616**	**5,364**

**Includes distribution to the Council and Precepting Authorities during the year.*

As part of the Council's 2021/22 budget setting process, the Council declared an outturn deficit of £47.271m (£6.043m net of forecast S31 extended retail relief grants). As part of the Government's Covid-19 support, the reimbursement of this deficit by the Council's General Fund will be spread equally over the next three financial years, i.e. 2021/22, 2022/23 and 2023/24 smoothing the impact on the Council. The balance of £1.399m (£6.043m declared less £4.644m outturn), as a result of over reimbursing the Collection Fund based on the declared position, will be distributed in 2022/23.

The volatility of the Collection Fund accounting, which has been added to by the pandemic, has made forecasting during the financial year difficult. The variance on the declared outturn (2021/22 budgeted) position compared to the actual outturn position presented above demonstrates this. The variance relates to differences in the assumptions underpinning the forecasts particularly in relation to the Business Rates position at Period 8 and the actual outturn position including:

- A slowing down in the decrease of gross collectable Business Rates for the year between the Period 8 forecast and outturn;
- Lower than forecasted levels of Empty Premises relief at outturn; and
- Lower retail reliefs at outturn compared to Period 8 forecast.

Greater Manchester 100% Business Rates Retention Pilot

During the year the Council has continued to Pilot alongside the other Greater Manchester Pilot Authorities, the 100% retention of Business Rates income. Despite the impacts of Covid-19 resulting in the in-year deficit outturn position highlighted above, the council has benefited from the Pilot as a result of an increased retention of Business Rates growth achieved in previous financial years. As a result, the total

2020/21 Pilot benefit to the council is £3.950m of retained Business Rates income that would have been paid to Government prior to the Pilot

In previous financial years, it has been agreed that a minimum of 50% of the benefit would be retained by Greater Manchester Authorities and the balance retained by the GMCA. However, due to the exceptional circumstances arising from the pandemic, it was agreed early in the year that 100% of the benefit achieved in 2020/21 will be retained; the Council will retain the full £3.950m benefit. £3.630m of this has been realised in the Council's outturn position based on the NDR1 (2020/21 budget) and transferred to the Collection Fund Reserve. This will be used to support the Council's 2021/22 Budget as approved in February. The balance will be released from the Collection Fund in 2021/22 and 2022/23 in line with Collection Fund accounting requirements.

Whilst the Council will continue to Pilot the 100% retention of Business Rates in 2021/22, it is difficult to accurately forecast the expected benefit at the beginning of the financial year. Business Rates income is a complex and volatile tax, changes in rateable values and increases in appeals by businesses are difficult to predict and can have a significant impact on the actual benefit realised at the end of the financial year. The Council continues to take a prudent approach to this by not budgeting for any benefit in the year it is realised. Instead, any benefit realised in year is used to support the Council's budget setting process, medium-term financial planning and capital investments in the following financial years supported by the Collection Fund Reserve.

Housing Revenue Account (HRA)

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

After taking into account adjustments between the accounting basis and the funding basis under legislation and transfers to and from earmarked reserves, there is a deficit of £0.682m decreasing the HRA balance to £1.441m as at 31 March 2021. On an accounting basis, the 2020/21 outturn position on the HRA is a surplus of £8.064m.

Group Accounts

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

- Stockport Metropolitan Borough Council;
- Stockport Homes Ltd;
- Totally Local Company Ltd;
- Stockport Exchange Phase 3 Ltd;
- Stockport Hotel Management Company Ltd; and
- Stockport Mayoral Development Corporation.

In accordance with the Code, consideration has been given as to whether these entities should be consolidated into the Council's Group Accounts. Totally Local

Company Ltd and Stockport Homes Ltd accounts are consolidated into the Council's Group Accounts. The interest in Stockport Exchange Phase 3 Ltd, Stockport Hotel Management Company Ltd and Stockport Mayoral Development Corporation are not considered material therefore these accounts are not consolidated into the Council's Group Accounts.

2021/22 Revenue Budget

At the Council meeting on 25 February 2021, the 2021/22 Revenue Budget was approved. The budget was set at £272.824m, with £195.682m Cash Limit budgets and £77.142m Non-Cash Limit budgets. This includes £11.197m to mitigate the expected costs and loss of income as a result of the Covid-19 financial scarring impacts in 2021/22.

The following table sets out the approved budget for 2021/22:

Portfolio	**2021/22 Revenue Budget £000**
Adult Care and Health*	98,011
Children, Family Services and Education	44,511
Citizen Focus and Engagement	4,640
Economy and Regeneration	2,015
Inclusive Neighbourhoods	673
Resources, Commissioning and Governance	24,502
Sustainable Stockport	21,330
Total Cash Limit	**195,682**
Pay Inflation	168
Pensions - Superannuation and Auto Enrolment	2,907
Inflation - Price and National Living Wage	1,472
Apprenticeship Levy	411
Covid-19 Financial Scarring Impacts	11,197
Non-Cash Limit	60,987
Total Non-Cash Limit	**77,142**
Total Expenditure	**272,824**
Financed By	
Council Tax Requirement – General	151,005
Council Tax Requirement – Adult Social Care Precept	16,889
Business Rates Council Share	77,465
Business Rates Tariff*	(16,673)
Business Rates Section 31 Grants	11,807
New Homes Bonus	881
Better Care Fund	6,333
Social Care Grant	7,841
Lower Tier Services Grant	317
Collection Fund 2019/20 Balance Distribution	1,012
Collection Fund 100% Business Rates Benefit	3,622
Covid-19 General Support Funding	7,629
Covid-19 Collection Fund Support Funding	3,432
Covid-19 Sales, Fees and Charges Support Funding	494

Covid-19 Collection Fund Deficit Deferral	(2,504)
Appropriation from Reserves*	3,274
Total Resources	**272,824**

**Confirmation of the Council's 2021/22 Public Health Grant allocation was confirmed by the Department for Health and Social Care after the Council's 2021/22 Budget was approved. The increased grant allocation will increase the Adult Care and Health Portfolio Cash Limit budget by £0.184m. This will be offset by equivalent adjustments to the Council Business Rates Tariff and appropriation from reserves so there is no net impact on the Council's budget.*

In October a 2021/22 saving requirement of £23.134m (increase from the forecast of £8.743m approved in February 2020) was reported to Cabinet reflecting the forecast financial impact of Covid-19. In proposing a 2021/22 Budget for approval, this saving requirement has been addressed whilst providing the Council with a robust and resilient financial platform on which to deliver its priorities and transformation programme as part of the Council's and Borough's recovery. In setting a balanced budget the Council took a strategic decision to minimise the impact on services using the MTFP Strategy framed decision making to identify areas of achievable savings on the basis that:

- They are deliverable immediately on 1 April 2021 – they do not require support from reserves to support implementation;
- Where possible they have minimal impact on front line service provision or that the impact can be managed as part of the future transformation programme; and
- Importantly they are aligned to and not detrimental to the Council's transformation priorities and ambitions.

As a result, £1.482m of savings were identified to balance the Council's 2021/22 Budget. The saving proposals approved will mainly be delivered through internal efficiency from staffing and contractual changes, representing only 0.54% of the net expenditure budget and are not expected to have significant impact on services to our residents.

In addition, the Council made a decision to raise Council Tax by 3.5% (including a 1.5% Adult Social Care Precept) to ensure the robustness and resilience of the Council's 2021/22 Budget and MTFP. This decision was not taken lightly and weighed up the impact this would have on Stockport residents, who have experienced significant challenges as a result of the unprecedented circumstances created by the pandemic. However, it was important that a balance was found to protect service provision for those that need the Council's support the most, as the recovery and response to the impact of the pandemic continues into 2021/22 and beyond, and the need for essential services increases. This balance has meant the deferral of 1.5% of the total allowable Adult Social Care Precept increase to 2022/23, with the recognition that the increase of 3.5% in 2021/22 is less than the 4.99% increase expected by Government in their calculation of the Council's 2021/22 Core Spending Power.

The Council will continue to reshape how it delivers services, building on the positives of the response across the Borough over the last 12 months reflecting the aspirations of One Stockport and responding to the ambitions and expectations of Stockport residents and businesses. Key to this is a resilient and stable budget that supports and leads Stockport's Covid-19 recovery in 2021/22. However, significant risks remain in the underpinning forecasts and assumptions for 2021/22 which could have an adverse impact of the Council's financial position. A robust budget and MTFP is key to mitigating these risks. The financial position will be monitored during the year and adverse financial impact mitigated appropriately through the Council's robust financial management, use of available one-off resources and General Fund Balance.

Fundamental to the delivery of the Council's One Stockport Borough Plan is a stable financial platform. A robust and resilient budget and MTFP will help to mitigate the significant financial challenges ahead whilst continuing to transform services and build on the positive relationships built over the past twelve months. The financial position reported in these Statement of Accounts and the level of reserves and balances held, underpinned by the Council's Reserves Policy, demonstrates this robustness and resilience of the Council's financial position over the medium-term.

Medium-Term Financial Landscape and Financial Challenge

The financial landscape continues to be challenging due to the significant levels of uncertainty, volatility and risk which have been added to by the financial impact of the pandemic. Financial risks remain in the forecasts and assumptions for 2021/22 and beyond, which the Council through its robust financial management will continue to review and mitigate. The continuing possibility of further lockdowns and restrictions due to new Covid-19 variants and the gradual lifting of current restrictions aligned to the Government's national recovery roadmap is evidence of this. For this reason, the updating of the Council's MTFP will remain iterative during 2021/22 to ensure the underpinning financial forecasts and assumptions remain robust and resilient to tackle the uncertainty, volatility and risk, and provide a stable financial platform throughout the year.

The Council's approved saving requirement for 2022/23 is significant, a forecast saving requirement of £23.177m due to increasing demand and inflationary cost pressures in addition to the Covid-19 financial scarring impacts. The 2021/22 Local Government Finance Settlement continued the trend of one-year funding settlements seen in previous financial years, which provide no certainty over funding and again add to the uncertainty of the financial landscape making the Council's medium-term financial planning challenging. In addition, the Council awaits further announcements from Government in terms of its ongoing national Covid-19 recovery roadmap, Local Government finance reform in relation to fairer funding formula and Business Rates, sustainable funding of adult social care, and an expected multi-year spending review and Local Government finance settlements in 2021/22. Officers will continue to assess the impact of the Government announcements on the Council's MTFP and update the underpinning MTFP forecasts and assumptions as appropriate. However, the Council's approved MTFP only extends to 2022/23. Without further certainty about the future direction of Local Government funding and the financial impact of the reforms on the Council, it is difficult to extend the MTFP forecasts beyond this period and be confident of the robustness of the resulting financial position.

The Council remains committed to its MTFP Strategy to frame the choices it needs to make about the services it delivers and how they are delivered. The MTFP Strategy is central to the organisational delivery of the priorities of the Council Plan and One Stockport Borough Plan. Using each of the five themes as a lens with which to view services, the Council can ensure these decisions give consideration to the future shape and financial sustainability of the Council and the essential services it provides to Stockport's residents. This is key to the Council ensuring its financial planning is robust whilst dealing with the uncertainty at a national level. A stable financial platform to enable the Council's transformation programme over the medium-term period is fundamental to the Council meeting the financial challenge ahead. The transformation programme will continue to reshape how the Council delivers services, building on the positives of the response across the Borough over the last twelve months reflecting the aspirations of One Stockport Borough Plan and responding to the ambitions and expectations of Stockport residents and businesses. As well as delivering better outcomes for residents and reshaping services so they are fit for the future, the transformation programme will be linked to the delivery of the MTFP and the delivery of services within the resources available. This will be done through transformation that manages demand, delivers services more efficiently and focuses on the outcomes wanted.

The Council will continue to analyse budgets during the year to identify the underlying budget pressures and mitigate the impact of the uncertainty and volatility. This will include the 2021/22 MTFP Summer Review, the 2021/22 Reserves Policy and further development of the Council's Capital Strategy and Capital Programme. The continuation and building on the strong financial management platform will be more important than ever to enable the Council to have confidence in its financial resilience to recover from the financial impact of the pandemic, the robustness of its financial planning and the ability to continue to deliver essential services to Stockport residents.

Capital Strategy

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

The adoption of the Capital Strategy was approved by the Council on 25 February 2021 and focuses on:

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

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

2021/22 Capital Programme

The 2021/22 three-year Capital Programme is £262.806m in total. The following table sets out the proposed 2021/22 to 2023/24 Capital Programme by portfolio and includes schemes that span 2024/25 and beyond.

Portfolio	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 Onwards £000
Adult Care and Health	280	0	0	0
Economy and Regeneration	50,102	27,147	14,603	0
Resources, Commissioning and Governance	50,671	3,023	0	40,297
Sustainable Stockport	59,165	40,749	17,066	75,026
Total	**160,218**	**70,919**	**31,669**	**115,323**

The Council's 2021/22 three-year Capital Programme was approved on 25 February 2021. £160.218m of capital expenditure was originally approved for 2021/22 and included the following significant schemes:

- £45.548m planned spend on Highways, with a total of £17.248m planned capital spend on the long running SEMMMS A6 to Manchester Airport Relief Road, Highways Investment Programme and Town Centre Access Plan schemes, £19.416m on the Mayoral Walking and Cycling Challenge Fund, and £4.702m on Poynton Relief Road;
- £39.251m for the Schools Estate capital schemes and £8.432m for the Asset Management Plan;
- £40.920m investment in the HRA, £17.093m of this is on HRA General schemes and £23.827m on HRA New Build schemes;
- £10.835m in loans to Stockport Homes for the delivery of affordable homes; and.
- £3.940m for the Street Lighting Investment Programme.

Financial Resilience

The past twelve months have illustrated the importance of the Council's financial resilience to the impact of unplanned/unforeseen events. Inevitably the pandemic has tested the Council's financial resilience. As already highlighted the financial impact of the pandemic has been unprecedented and is expected to have financial scarring impact over the medium-term period meaning the Council's financial resilience will continue to be tested. The Council's strong financial management has ensured its robustness and resilience to the many challenges during 2020/21 evidenced by the Council's ability to mitigate the financial impact and set a balanced budget in 2021/22. It is important that the Council continues to build on this to address and mitigate the financial challenges ahead.

There are a number of ways the Council demonstrates its financial resilience to Council Members and Stockport residents:

- **MTFP Summer Review and Updates** – regular reviews of the key assumptions and forecasts that underpin the Council's MTFP to ensure they remain robust and based on the most up to date information throughout the year;
- **Reserves Policy** – annual update of the Council's Reserves Policy to ensure earmarked reserves are aligned to the Council's corporate and strategic objectives over the medium-term period;
- **Budget Risk Assessment** – annual assessment of the adequacy of the Council's General Fund Balance to mitigate the impact of risks;
- **Scrutiny Committee and Audit Committee -** regular Member scrutiny of the Council's Financial Management throughout the year; and
- **Internal and External Audit** – independent audits of the Council's financial management throughout the year. An internal audit of the Council's financial governance and financial resilience will be completed in 2021/22.

As part of the wider focus on Local Authority financial resilience particularly following the past twelve months, CIPFA's Financial Management Code of Practice is now expected to come into effect from April 2022. The Financial Management Code is based on six principles supporting financial resilience, which the Council will need to demonstrate it complies with:

- **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.

- Adherence to **professional standards** is promoted by the leadership team and is evidenced.
- **Sources of assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- The **long-term sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

2020/21 NON-FINANCIAL PERFORMANCE OF THE COUNCIL

Performance

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

Performance in 2020/21 across a wide range of measures reflects the direct and indirect impacts of the pandemic on factors such as access to services, demand levels and the local economy. Of the measures 63% were improving (45%) or stable (18%), compared to 67% in 2019/20, whilst 49% of measures were on or ahead of target, an improvement from the 43% in 2019/20. However, there were a significant number of measures where no target was set for 2020/21 due to uncertainties around the impact of the pandemic. The proportion of measures significantly off target has doubled from 9% to 18% - although only increased in number of measures from 9 to 12. Performance against 10 of these measures have fallen below 2019/20 levels, with the exceptions being on affordable housing which increased slightly but remains behind the target set and early years attainment which wasn't measured in 2019/20. The performance against these measures which include museum visits, response to Freedom of Information (FOI) requests and increased residual household waste can largely be attributed to the impact of the pandemic.

Achievements

The financial year has been dominated by the immediate response to the impacts of the pandemic. This has been felt across a wide range of performance measures from screening and health programmes, care home admissions and demand for mental health services through to employment, Business Rates collection, town centre footfall and museum visits. As part of the response the Council has built stronger relationships with partners across the community and voluntary sector, which is reflected in the Council's One Stockport Borough Plan. The Council alongside its partners has helped to lead and support the Borough through the many challenges of the pandemic providing support to businesses and residents most notably:

- Distribution of over one million items of PPE across the Borough;
- Over £111m of grant support through more than 18,000 grant payments supporting around 6,500 eligible businesses across Stockport;
- Financial support to our vulnerable residents and families including £1.1m of Council Tax support to 8,183 residents;
- Delivery of 2,261 emergency food parcels to residents;
- Over £1.5m of food, energy and essentials support to our most vulnerable families including issuing vouchers to support over 7,000 families to prevent holiday hunger;
- Answering 6,000 calls from residents and making 1,730 calls to vulnerable residents in Stockport thorough the Coronavirus Helpline; and
- Over 1,000 devices such as tablets, laptops and mobile phones distributed to vulnerable children, care leavers and care homes to ensure digital inclusion.

Whilst dealing with the response to the pandemic the Council has continued to deliver services to residents and remain ambitious for the Borough. Notable achievements in 2020/21 were:

- Continuation of the Council's ambitious regeneration plans to change the face of Stockport, with the redevelopment of Weir Mill, starting work on the transport interchange and BASF moving into Stockport Exchange.
- Delivery of the All Age Living Prospectus at St Thomas', helping older people to maintain their independence and look forward to a positive older age.
- A new co-produced strategy for young people with Special Educational Needs and Disabilities (SEND), with One Stockport values of inclusion, collaboration and ambition at its core.
- An 'Early Help' Strategy has been developed to provide a total system of support, improving family resilience and outcomes, whilst reducing the chance of a problem getting worse.
- Public health programmes promoting healthier communities and reducing health inequalities. The Council has worked with health partners on the Victoria Intensive Project to support people with complex drug and alcohol issues was recognised as the best Public Health Improvement at the 2020 Municipal Journal Awards.
- The Council's preventative programmes and commissioning have played and continue to play a key part in the pandemic response. Stockport continues to record some of the highest flu vaccination rates in the country with more than 85% of over-65s vaccinated by the end of 2020, something which bodes well for take-up of the Covid-19 vaccine as this is rolled out in 2021.
- Successfully bidding for £14.5m of Government funding from the Future High Streets Fund to support Stockport Town Centre to recover from the impacts of the pandemic and support the ongoing redevelopment to make the town centre a place where people want to visit. The bid was recognised for its forward-thinking and innovative proposals, contributing to the redevelopment

of Mersey Square, bringing vacant retail units back into use as community and leisure facilities, and supporting local businesses and jobs.
- Continuing to progress our Affordable Housing Programme, with another 250 affordable homes completed by March 2021, whilst bringing over 1,000 empty properties back into use.
- Promoting healthier, more active lifestyles ranging from supporting physical development programmes within our early years settings to developing a peer mentoring scheme to help people with long-term health conditions be more active, alongside wider promotion of walking and cycling.
- Launching the Stockport 'Climate Action Now' Plan setting out how we will work with our partners, communities and businesses to build a climate-friendly Stockport through reducing carbon emissions, increasing renewable energy, improving sustainable transport and protecting our natural environment.
- Developing a network of eight 'Teams Around the Place' spread across the Borough, linking broader community networks to these neighbourhoods and ensuring connections with wider services.
- Tackling digital exclusion to enable more people to get online during the pandemic, with remote sessions through the Digiknow scheme, a network of Digital Champions and expanding the digital lending library.

Corporate Risks

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

The Corporate Risks are:

- Change Management – ability to manage and implement change effectively;
- Financial – failure to deliver the Medium-Term Financial Plan (savings targets and balanced budget);
- Digital Capacity – insufficient ICT infrastructure and capacity;
- Demand Pressures – inability to influence behaviour change resulting in demand and expectations continuing to rise;
- Supplier and Partner Risk – key suppliers and partners to significant projects and services unable to deliver on behalf of the Council;
- Information Governance – failure to protect the Council's information assets including personal and sensitive personal data and other confidential data;
- Social Care restructuring (Adults) – financial resources and capacity are insufficient to deliver the strategic change programme and associated benefits to required timescales;
- Social Care restructuring (Children's and Education) – financial resources and capacity are insufficient to deliver the strategic change programme and associated benefits to required timescales.
- School Places – insufficient supply of school places;
- Condition of School estate – the quality of the school estate is deteriorating and there is a backlog of urgent condition repairs;

- Safeguarding – failure of safeguarding arrangements for children and vulnerable adults;
- Delivering Growth – failure to deliver key strategic, regeneration and capital investment programmes;
- Climate Emergency – the challenges measuring the impact of any plans and policies implemented by the Council and affecting change within a limited resource envelope; and
- Pandemic – managing the uncertainty and challenges created by the ongoing Covid-19 pandemic and any future such outbreaks.

Receipt of Further Information

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

If you would like to receive further information on these accounts, please contact me, Michael Cullen, Deputy Chief Executive (Section 151 Officer), at Finance, Corporate and Support Services, Stockport Metropolitan Borough Council, Stopford House, Stockport, SK1 3XE.

MAIN CHANGES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT EVENTS AND TRANSACTIONS

Manchester Airport Group Investment Valuation

The Council's shareholding in the Manchester Airport Holdings Ltd in 2020/21 is 3.22% of the airport's capital, this is a minority interest with no voting rights. During 2019/20 and 2020/21 the Council made an equity investment of £5.610m in Manchester Airport Car Parking Ltd to finance the development of a new airport carpark, which opened at the end of 2020. Manchester Airport Car Park Ltd is part of the Manchester Airport Group and the Council holds three ordinary 'C' shares in the company. Both shareholdings are held at fair value and a valuation must be carried out annually.

The 2020/21 valuation has been made using Manchester Airport Group's annual reports and accounts for the year ended 31 March 2020 along with the interim report and accounts for the 6 months ended 30 September 2020. The shareholding in Manchester Airport Holdings Ltd has been estimated to be £32m (£30.200m for 2019/20), which is an increase in value of £1.800m since last year. The Manchester Airport Car Park Ltd shareholding has been valued at £5.700m.

The total revaluation gain of £1.890m on the Council's shareholdings is recognised in the Financial Instruments Revaluation Reserve and there is no impact on the General Fund.

Merseyway Shopping Centre Valuation

The Council purchased Merseyway Shopping Centre in Stockport Town Centre in April 2016. The decision to purchase the shopping centre was to support the ongoing regeneration of the town centre and to give the Council direct control over its future linked to the Council's wider regeneration plans. As at 31 March 2021, a revaluation of Merseyway Shopping Centre has resulted in a valuation of £19.850m, a reduction in value of £14.350m from the 2019/20 valuation. The reduction in value has been reflected on the Council’s Balance Sheet.

The reduced asset valuation has been caused primarily by the consequence of Covid-19 and national lockdowns, which have caused a significant reduction in market rental value within the shopping centre in comparison to March 2020, when the full impact of the national lockdown had yet to materialise. The retail sector generally is facing major challenges with a significant number of CVAs and administrations, leading to job losses and increased vacant shops. These have impacted on the shopping centre valuation as there is an oversupply of retail space in the town centre.

The Council intends to hold the shopping centre for the long-term whilst the benefits of other town centre regeneration such as Redrock, Stockport Underbanks, Stockport Market Place, and Stockport Interchange, as well as the shopping centre itself are realised. The Council remains committed to the refurbishment and reconfiguration of Merseyway Shopping Centre demonstrated by the Council’s successful £14.5m Future High Streets Fund bid which is being invested in the Addlington Walk area of the centre, Mersey Square and public realm works to create a community space where people can meet, spend their leisure time and enjoy the permanent and temporary events and attractions which increase footfall, and use of the many other amenities the town centre has to offer. The Council firmly believes it is the best placed holder of the shopping centre asset in Stockport Town Centre in order to see out the current turbulent period for retail and ensure its regeneration compliments other regeneration schemes. As a result, there is no pressure to dispose of the asset and any future disposal can be timed to maximise the value and protect the Council from short to medium-term asset valuation fluctuations.

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

Housing Valuations

There has been a revaluation gain posted to the revaluation reserve of £84.685m in relation to Council dwellings in the HRA. The gain has arisen due to an increase in the HM Land Registry indices of 11.7% over 2019/20 offset by investment in council dwellings which has not resulted in a £ for £ increase in value. Council dwellings have been subject to a full revaluation in 2020/21 giving rise to a further gain from re-aligning the portfolio to current market prices.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

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

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

- Approve the Statement of Accounts.

The Deputy Chief Executive's (Section 151 Officer) Responsibilities

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

In preparing this Statement of Accounts, the Deputy Chief Executive (Section 151 Officer) has:

- Selected suitable accounting policies and then applied them consistently;

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

- Complied with the Code of Practice.

The Deputy Chief Executive (Section 151 Officer) has also:

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

Certificate of the Statement of Accounts

I certify that the Statement of Accounts presents a true and fair view of the financial position of Stockport Metropolitan Borough Council at 31 March 2021, and its income and expenditure for the year ended 31 March 2021.

Michael Cullen
Deputy Chief Executive (Section 151 Officer)
8 September 2021

Approval of the Statement of Accounts

In accordance with the Accounts and Audit Regulations 2015, I hereby certify that the Audit Committee of the Stockport Metropolitan Borough Council approved the Statement of Accounts for the financial year ended 31 March 2020, at its meeting of 8 September 2021.

Councillor Stuart Corris
Chair of Audit Committee
8 September 2021

FINANCIAL STATEMENTS

The financial statements in this section of the Statement of Accounts are applicable to all local authorities whatever their function and comprise:

Comprehensive Income and Expenditure Statement

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

Movement in Reserves Statement

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

Balance Sheet

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

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

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

Cash Flow Statement

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

Group Accounts

The Group accounts are of equal status to the single entity accounts but to achieve a meaningful presentation to the reader of the accounts, they are positioned after the single entity financial statements and notes, starting at page 178.

Comprehensive Income and Expenditure Statement

	Gross Exp-enditure £000	Gross Income £000	2020/21 Net Exp -enditure £000	Gross Exp-enditure £000	Gross Income £000	2019/20 Net Exp - enditure £000	Notes
Adult Care and Health	**169,985**	**(77,917)**	**92,068**	160,183	(58,362)	101,821	
Children, Family Services and Education	**59,928**	**(13,333)**	**46,595**	58,445	(15,610)	42,835	
Citizen Focus and Engagement	**8,156**	**(635)**	**7,521**	9,505	(1,862)	7,643	
Economy and Regeneration	**11,031**	**(14,146)**	**(3,115)**	6,213	(2,226)	3,987	
Inclusive Neighbourhoods	**3,762**	**(2,554)**	**1,208**	1,807	(1,348)	459	
Resources, Commissioning and Governance	**40,673**	**(7,005)**	**33,668**	43,526	(9,024)	34,502	
Sustainable Stockport	**55,027**	**(8,347)**	**46,680**	54,049	(11,358)	42,691	
Non-Cash Limits	**68,737**	**(61,707)**	**7,030**	73,174	(65,512)	7,662	
Dedicated Schools Grant	**233,370**	**(218,583)**	**14,787**	238,524	(213,311)	25,213	
Housing Revenue Account	**49,060**	**(54,791)**	**(5,731)**	44,623	(53,705)	(9,082)	
Cost Of Services	**699,729**	**(459,018)**	**240,711**	690,049	(432,318)	257,731	
Other Operating Expenditure	**40,461**		**40,461**	42,024		42,024	8
Financing and Investment Income and Expenditure	**86,358**	**(42,530)**	**43,828**	83,351	(50,659)	32,692	9
Taxation and Non-Specific Grant Income		**(303,383)**	**(303,383)**		(285,926)	(285,926)	10
(Surplus) or Deficit on Provision of Services	**826,548**	**(804,931)**	**21,617**	815,424	(768,903)	46,521	
Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services							

(Surplus) on revaluation of Property, Plant and Equipment assets			**(140,786)**			(59,711)	
Re-measurement of the net defined benefit liability			**146,885**			(100,663)	
Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services							
(Surplus)/deficit from investments in equity instruments designated at Fair Value through Other Comprehensive Income			**(1,890)**			22,500	
Other Comprehensive Income and Expenditure			**4,209**			(137,874)	
Total Comprehensive Income and Expenditure			**25,826**			(91,353)	

Movement in Reserves Statement

	General Fund Balance Note a **£000**	**General Fund Balance – Collection Fund Reserve** Notes a and c **£000**	**Housing Revenue Account** Note a **£000**	**Capital Receipts Reserve** Note b **£000**	**Major Repairs Reserve** Note b **£000**	**Capital Grants Unapplied** Note b **£000**	**Total Usable Reserves** **£000**	**Unusable Reserves** **£000**	**Total Council Reserves** **£000**
Balance at 31 March 2019 carried forward	(91,727)		(3,037)	(13,443)	0	(10,960)	(119,167)	(623,081)	(742,248)
Movement in reserves during 2019/20:									
Total Comprehensive Income and Expenditure	50,992		(4,471)				46,521	(137,874)	(91,353)
Adjustments between accounting basis and funding basis under regulations (Note 2)	(54,517)		4,040	1,316	0	(6,265)	(55,426)	55,426	0
(Increase)/Decrease in 2019/20	(3,525)		(431)	1,316	0	(6,265)	(8,905)	(82,448)	(91,353)
Balance at 31 March 2020 carried forward	(95,252)		(3,468)	(12,127)	0	(17,225)	(128,072)	(705,529)	(833,601)
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020	(1,302)						(1,302)	1,302	0

Restated balance at 1 April 2020	(96,554)	0	(3,468)	(12,127)	0	(17,225)	(129,374)	(704,227)	(833,601)
Movement in reserves during 2020/21:									
Total Comprehensive Income and Expenditure	**71,189**	**(41,508)**	**(8,064)**				**21,617**	**4,209**	**25,826**
Adjustments between accounting basis and funding basis under regulations (Note 2)	**(98,769)**		**8,480**	**(3,645)**	**0**	**1,086**	**(92,848)**	**92,848**	**0**
(Increase)/Decrease in 2020/21	**(27,580)**	**(41,508)**	**416**	**(3,645)**	**0**	**1,086**	**(71,231)**	**97,057**	**25,826**
Balance at 31 March 2021 carried forward	**(124,134)**	**(41,508)**	**(3,052)**	**(15,772)**	**0**	**(16,139)**	**(200,605)**	**(607,170)**	**(807,775)**

Note a – Reserves held for revenue purposes
Note b – Reserves held for capital purposes
Note c – Earmarked reserve for 21/22 collection fund deficit has been separated out as this is not available funding for use by the Council. Further details are set out in Note 7 to the Statement of Accounts.
Details of schools reserves within earmarked reserves are set out in Note 7 to the Statement of Accounts.
A breakdown of adjustments between the accounting basis and funding basis under regulations is set out in Note 2 to the Statement of Accounts.

Balance Sheet

	31 March 2021 £000	31 March 2020 £000	Note
Property, Plant & Equipment			
- Council dwellings	**538,589**	441,071	
- other land and buildings	**592,974**	564,451	
- vehicles, plant, furniture and equipment	**14,665**	13,660	
- infrastructure	**399,388**	387,566	
- community assets	**1,502**	1,554	
- surplus assets not held for sale	**3,812**	3,787	
- assets under construction	**35,867**	35,928	
	1,586,797	1,448,017	11
Heritage Assets	**11,583**	11,685	12
Investment Property	**180,435**	169,811	13
Intangible Assets	**908**	1,135	14
Long-Term Investments	**37,800**	32,170	36
Long-Term Debtors	**125,106**	92,241	17
Long-Term Finance lease Debtors	**13,700**	13,700	35
Long-Term Assets	**1,956,329**	1,768,759	
Assets Held for Sale (short-term)	**836**	576	19
Inventories	**116**	96	
Cash and Cash Equivalents	**27,903**	49,483	18
Short-Term Investments	**17,450**	78,045	15a
Short-Term Debtors	**78,245**	86,774	17
Current Assets	**124,550**	214,974	
Bank Overdraft	**(2,140)**	(2,763)	18
Short-Term Creditors	**(82,653)**	(86,853)	20
Short-Term Provisions	**(4,912)**	(4,024)	21
Short-Term Borrowing	**(144,173)**	(151,311)	15a
Current Liabilities	**(233,878)**	(244,951)	
Long-Term Creditors	**(6,587)**	(7,915)	20

Long-Term Provisions	**(18,631)**	(18,938)	21
Long-Term Borrowing	**(491,558)**	(506,653)	15a
Other Long-Term Liabilities - Net pensions liability	**(465,769)**	(332,787)	26
Other Long-Term Liabilities - Finance leases	**(13,700)**	(13,700)	35
Revenue Grants Receipts in Advance	**(28,344)**	(17,503)	32
Capital Grants Receipts in Advance	**(14,637)**	(7,685)	32
Long-Term Liabilities	**(1,039,226)**	(905,181)	
Net Assets	**807,775**	833,601	
Usable reserves	**(200,605)**	(128,072)	MIRS
Unusable Reserves	**(607,170)**	(705,529)	23
Total Reserves	**(807,775)**	(833,601)	

The unaudited accounts were issued on 10 June 2021 and the audited accounts were authorised for issue by the Deputy Chief Executive (Section 151 Officer) on 8 September 2021.

Michael Cullen
Deputy Chief Executive (Section 151 Officer)
8 September 2021

Cash Flow Statement

	2020/21 **£000**	2019/20 £000	Note
Net deficit on the provision of services	**21,617**	46,521	
Adjustments to net surplus or deficit on the provision of services for non-cash movements			
Depreciation	**(53,092)**	(48,453)	
Impairment and revaluation	**2,570**	845	
Amortisation	**(227)**		
(Increase) in Impairment for bad debts	**(12,458)**	(1,194)	
(Increase)/decrease in creditors	**(8,726)**	(26,430)	
Increase/(decrease) in debtors	**17,109**	8,479	
Increase/(decrease) in inventories	**20**	(16)	
Difference between IAS 19 pension cost and pensions paid	**13,903**	(56,797)	
Carrying amount of non-current assets sold	**(21,500)**	(4,186)	
Movement in value of investment properties	**(7,062)**	(21,487)	
Movement in provisions	**(581)**	(2,970)	
	(70,044)	(152,209)	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities			
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**7,762**	4,675	
Revenue expenditure funded from capital under statute	**(2,811)**	(2,245)	
Capital grants	**32,425**	37,777	
Net cash flows from Operating Activities*	**(11,051)**	(65,481)	
Investing Activities	**7,139**	120,456	24
Financing Activities	**24,869**	(71,700)	25

Net (increase) or decrease in cash and cash equivalents	**20,957**	(16,725)	
Cash and cash equivalents and bank overdraft at the beginning of the reporting period	**46,720**	29,995	18
Cash and cash equivalents and bank overdraft at the end of the reporting period	**25,763**	46,720	18

*The following items are included within the operating activities:

	2020/21 **£000**	2019/20 £000
Interest Received	**(1,930)**	(3,053)
Interest Paid	**19,334**	18,726
Finance lease interest paid	**1,187**	1,171
Dividends Received		(6,570)
Finance lease interest received	**(1,463)**	(1,438)

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements (continued)

2020/21	Reported Outturn	Non General Fund Accounts	Earmarked reserves	Net Expenditure Chargeable to the General Fund and HRA balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement

1. Expenditure and Funding Analysis

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

	£000	£000	£000	£000	£000	£000
Adult Care and Health	**100,629**		**(10,683)**	**89,946**	**2,122**	**92,068**
Children, Family Services and Education	**44,741**		**397**	**45,138**	**1,457**	**46,595**
Citizen Focus and Engagement	**5,282**		**40**	**5,322**	**2,199**	**7,521**
Economy and Regeneration	**2,486**		**(6,540)**	**(4,054)**	**939**	**(3,115)**
Inclusive Neighbourhoods	**674**		**152**	**826**	**382**	**1,208**
Resources, Commissioning and Governance	**31,636**		**1,398**	**33,034**	**634**	**33,668**
Sustainable Stockport	**25,159**		**(772)**	**24,387**	**22,293**	**46,680**
Non Cash Limits	**61,935**		**(158)**	**61,777**	**(54,747)**	**7,030**
Dedicated Schools Grant	**0**		**(5,833)**	**(5,833)**	**20,620**	**14,787**
Housing Revenue Account		**682**	**(266)**	**416**	**(6,147)**	**(5,731)**
Net Cost Of Services	**272,542**	**682**	**(22,265)**	**250,959**	**(10,248)**	**240,711**
Other Income and Expenditure	**(273,564)**		**(40,897)**	**(314,461)**	**314,461**	**0**
Reported surplus	**(1,022)**					
Use of earmarked reserves to top up general fund balance	**(5,170)**			**(5,170)**	**5,170**	**0**
Other Operating Expenditure				**0**	**40,461**	**40,461**
Financing and Investment Income and Expenditure				**0**	**43,828**	**43,828**
Taxation and Non-Specific Grant Income				**0**	**(303,383)**	**(303,383)**
(Surplus) or deficit	**(6,192)**	**682**	**(63,162)**	**(68,672)**	**90,289**	**21,617**
General Fund and HRA Balances b/f	**(10,013)**	**(2,123)**	**(86,584)**	**(98,720)**		
Transfer opening DSG deficit to new Adjustment Account			**(1,302)**	**(1,302)**		
Restated opening balance	**(10,013)**	**(2,123)**	**(87,886)**	**(100,022)**		
Less (Surplus)/ Deficit on General Fund and HRA Balance in Year	**(6,192)**	**682**	**(63,162)**	**(68,672)**		
General Fund and HRA Balances c/f	**(16,205)**	**(1,441)**	**(151,048)**	**(168,694)**		

2019/20	Reported Outturn £000	Non General Fund Accounts £000	Earmarked reserves £000	Net Expenditure Chargeable to the General Fund and HRA balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Adult Care and Health	90,527		6,527	97,054	4,767	101,821
Children, Family Services and Education	39,886		336	40,222	2,613	42,835
Citizen Focus and Engagement	5,598		32	5,630	2,013	7,643
Economy and Regeneration	2,016		1,112	3,128	859	3,987
Inclusive Neighbourhoods	243			243	216	459
Resources, Commissioning and Governance	23,123		2,042	25,165	9,337	34,502
Sustainable Stockport	22,045		(588)	21,457	21,234	42,691
Non-Cash Limits	56,269		(4,582)	51,687	(44,025)	7,662
Dedicated Schools Grant	0	0	2,819	2,819	22,394	25,213
Housing Revenue Account		(426)	(5)	(431)	(8,651)	(9,082)
Net Cost Of Services	239,707	(426)	7,693	246,974	10,757	257,731
Other Income and Expenditure	(240,520)		(14,436)	(254,956)	254,956	0
Reported surplus	(813)					
Use of general fund surplus to top up earmarked reserves	4,026			4,026	(4,026)	0
Other Operating Expenditure				0	42,024	42,024
Financing and Investment Income and Expenditure				0	32,692	32,692
Taxation and Non-Specific Grant Income				0	(285,926)	(285,926)
(Surplus) or deficit	3,213	(426)	(6,743)	(3,956)	50,477	46,521
General Fund and HRA Balances b/f	(13,226)	(1,697)	(79,841)	(94,764)		
Less (Surplus)/ Deficit on General Fund and HRA Balance in Year	3,213	(426)	(6,743)	(3,956)		
General Fund and HRA Balances c/f	(10,013)	(2,123)	(86,584)	(98,720)		

Note to the Expenditure and Funding Analysis

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

2020/21 **Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts**	**Reclassification between Service Segments for CIES Note a £000**	**Adjustments for Capital Purposes Note b £000**	**Net Change for the Pensions Adjustments Note c £000**	**Other Differences Note d £000**	**Total Adjustments £000**
Adult Care and Health	**(1,157)**	**220**	**3,059**		**2,122**
Children, Family Services and Education	**8**	**35**	**1,414**		**1,457**
Citizen Focus and Engagement	**(44)**	**1,648**	**595**		**2,199**
Economy and Regeneration	**(46)**	**395**	**590**		**939**
Inclusive Neighbourhoods	**220**	**7**	**155**		**382**
Resources, Commissioning and Governance	**(3,856)**	**1,401**	**3,089**		**634**
Sustainable Stockport	**(1,037)**	**22,630**	**700**		**22,293**
Non Cash Limits	**(39,526)**	**(16,977)**	**(92)**	**1,848**	**(54,747)**
Dedicated Schools Grant	**(833)**	**13,493**	**6,393**	**1,567**	**20,620**
Housing Revenue Account	**(5,854)**	**(293)**	**0**		**(6,147)**
Net Cost Of Services	**(52,125)**	**22,559**	**15,903**	**3,415**	**(10,248)**
Other Income and Expenditure from the Funding Analysis	**314,461**				**314,461**
Use of earmarked reserves to top up general fund balance	**5,170**				**5,170**
Other Operating Expenditure	**40,842**	**(2,677)**		**2,296**	**40,461**
Financing and Investment Income and Expenditure	**12,118**	**23,649**	**8,061**		**43,828**
Taxation and Non-Specific Grant Income	**(320,466)**	**(30,360)**		**47,443**	**(303,383)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	**0**	**13,171**	**23,964**	**53,154**	**90,289**

2019/20 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Reclassification between Service Segments for CIES Note a £000	Adjustments for Capital Purposes Note b £000	Net Change for the Pensions Adjustments Note c £000	Other Differences Note d £000	Total Adjustments £000
Adult Care and Health	(317)	288	4,796		4,767
Children, Family Services and Education	14	105	2,494		2,613
Citizen Focus and Engagement	(45)	976	1,082		2,013
Economy and Regeneration	25	3	831		859
Inclusive Neighbourhoods		6	210		216
Resources, Commissioning and Governance	2,222	2,495	4,620		9,337
Sustainable Stockport	(524)	20,723	1,035		21,234
Non-Cash Limits	(37,189)	(12,132)	5,257	39	(44,025)
Dedicated Schools Grant	(877)	13,400	9,883	(12)	22,394
Housing Revenue Account	(5,797)	(2,854)	0	0	(8,651)
Net Cost Of Services	(42,488)	23,010	30,208	27	10,757
Other Income and Expenditure from the Funding Analysis	254,956				254,956
Use of general fund surplus to top up earmarked reserves	(4,026)				(4,026)
Other Operating Expenditure	40,784	(1,075)		2,315	42,024
Financing and Investment Income and Expenditure	801	22,332	9,559		32,692
Taxation and Non-Specific Grant Income	(250,027)	(35,545)		(354)	(285,926)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	0	8,722	39,767	1,988	50,477

Notes:

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

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

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

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

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

2. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2020/21	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000
Adjustments for Capital Purposes						
Charges for depreciation, revaluation losses and impairment of non-current assets	**(38,471)**	**(12,051)**				**(50,522)**
Amortisation of intangible assets	**(227)**					**(227)**
Movements in the market value of investment properties	**(12,328)**	**5,266**				**(7,062)**
Revenue expenditure funded from capital under statute	**(2,811)**					**(2,811)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement and associated capital receipts	**(15,189)**	**1,450**	**(7,761)**			**(21,500)**
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement and applied to finance capital expenditure	**30,893**	**1,531**			**1,086**	**33,510**
Statutory provision for the repayment of debt	**12,014**					**12,014**
Principal repayments for transferred debt	**1,446**					**1,446**
Capital expenditure financed from revenue balances	**2,962**					**2,962**
Posting of HRA resources from revenue to the Major Repairs Reserve		**12,344**		**(12,344)**		
Total Adjustments for Capital Purposes	**(21,711)**	**8,540**	**(7,761)**	**(12,344)**	**1,086**	**(32,190)**
Pensions Adjustments						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	**(46,473)**	**(60)**				**(46,533)**
Employer's pensions contributions and direct payments to pensioners payable in the year	**22,569**					**22,569**
Total Adjustments for Pensions	**(23,904)**	**(60)**	**0**	**0**	**0**	**(23,964)**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance new capital expenditure			**1,352**			**1,352**
Use of the Capital Receipts Reserve to finance prior year capital expenditure			**468**			**468**
Use of the Major Repairs Reserve to finance capital expenditure				**12,344**		**12,344**
Total Adjustments to Capital Resources	**0**	**0**	**1,820**	**12,344**	**0**	**14,164**
Other differences						
Transfer Dedicated Schools Grant deficit to unusable reserve	**(1,935)**					**(1,935)**
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	**(2,296)**		**2,296**			
Financial Instruments (transferred to (or from) the Financial Instruments Adjustment Account)	**15**					**15**
Council tax and NDR (transferred to or from Collection Fund)	**(47,443)**					**(47,443)**
Holiday pay (transferred to the Accumulated Absences Reserve)	**(1,495)**					**(1,495)**
Total Adjustments for Other Differences	**(53,154)**	**0**	**2,296**	**0**	**0**	**(50,858)**
Total Adjustments	**(98,769)**	**8,480**	**(3,645)**	**0**	**1,086**	**(92,848)**

2019/20	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000
Adjustments for Capital Purposes						
Charges for depreciation, revaluation losses and impairment of non-current assets	(38,559)	(9,049)				(47,608)
Movements in the market value of investment properties	(21,487)					(21,487)
Revenue expenditure funded from capital under statute	(2,245)					(2,245)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement and associated capital receipts	(647)	1,136	(4,675)			(4,186)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement and applied to finance capital expenditure	37,633	144			(6,265)	31,512
Statutory provision for the repayment of debt	11,073					11,073
Principal repayments for transferred debt	1,375					1,375
Capital expenditure financed from revenue balances		1				1
Posting of HRA resources from revenue to the Major Repairs Reserve		11,903		(11,903)		
Total Adjustments for Capital Purposes	(12,857)	4,135	(4,675)	(11,903)	(6,265)	(31,565)
Pensions Adjustments						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(61,449)	(95)				(61,544)
Employer's pensions contributions and direct payments to pensioners payable in the year	21,777					21,777
Total Adjustments for Pensions	(39,672)	(95)	0	0	0	(39,767)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance new capital expenditure			2,391			2,391
Use of the Capital Receipts Reserve to finance prior year capital expenditure			1,286			1,286
Use of the Major Repairs Reserve to finance capital expenditure				11,903		11,903
Cash payments in relation to deferred capital receipts			(1)			(1)
Total Adjustments to Capital Resources	0	0	3,676	11,903	0	15,579
Other differences						
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	(2,315)		2,315			0
Financial Instruments (transferred to (or from) the Financial Instruments Adjustment Account)	13					13
Council tax and NDR (transferred to or from Collection Fund)	354					354
Holiday pay (transferred to the Accumulated Absences Reserve)	(40)					(40)
Total Adjustments for Other Differences	(1,988)	0	2,315	0	0	327
Total Adjustments	(54,517)	4,040	1,316	0	(6,265)	(55,426)

3. Expenditure and Income Subjective Analysis

	Council 2020/21 £000	**VA Schools* 2020/21 £000**	**Total 2020/21 £000**	Council 2019/20 £000	VA Schools* 2019/20 £000	Total 2019/20 £000
Expenditure						
Employee Benefit Expenses	**251,402**	**27,220**	**278,622**	260,683	27,515	288,198
Other service expenses	**369,016**	**1,513**	**370,529**	353,221	1,281	354,502
Capital charges including depreciation and impairment	**50,578**		**50,578**	47,349		47,349
Financing and investment expenditure including interest	**86,358**		**86,358**	83,351		83,351
Levies	**40,842**		**40,842**	40,784		40,784
Payments to Housing Capital Receipts Pool	**2,296**		**2,296**	2,315		2,315
Losses/(gains) on disposal of assets/ impairment of assets held for sale	**(2,677)**		**(2,677)**	(1,075)		(1,075)
	797,815	**28,733**	**826,548**	786,628	28,796	815,424
Income						
Fees, charges and other service income**	**(112,497)**	**(3,571)**	**(116,068)**	(123,970)	(2,637)	(126,607)
Financing and investment income including interest	**(42,393)**		**(42,393)**	(50,659)		(50,659)
Income from council tax and non-domestic rates	**(180,814)**		**(180,814)**	(218,992)		(218,992)
Government grants and contributions (Note 32)	**(440,565)**	**(25,091)**	**(465,656)**	(346,486)	(26,159)	(372,645)
	(776,269)	**(28,662)**	**(804,931)**	(740,107)	(28,796)	(768,903)
	21,546	**71**	**21,617**	**46,521**	**0**	**46,521**

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

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

Further analysis of Fees, charges and other service income	2020/21 £000	2019/20 £000
HRA Rent	**(43,358)**	(42,166)
Social Care Charges	**(22,641)**	(23,874)
School income (excluding grants)	**(7,052)**	(12,407)
Water recharge income (HRA)	**(4,486)**	(4,728)
Rents (HRA Communal)	**(4,056)**	(3,999)
Intercouncil fees for services provided	**(4,034)**	(4,482)
Stockport CCG - Continuing healthcare packages	**(3,591)**	(3,271)
Stockport CCG - Hospital Discharge Programme	**(3,297)**	
GMCA returned Waste monies	**(3,149)**	(3,417)
Parking charges	**(1,495)**	(4,469)
Other income (categories < £3m)	**(18,909)**	(23,794)
	(116,068)	(126,607)

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

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

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

Manchester Airport Group
The Council's shareholding in the Manchester Airport Holdings Ltd in 2020/21 is 3.22% of non-voting ordinary shares. During 2019/20 and 2020/21 the Council 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. Manchester Airport Car Park Ltd is part of the Manchester Airport Group and the Council holds three ordinary 'C' shares in the company. Both shareholdings are held at fair value and a valuation must be carried out annually.

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

Various methods of measuring fair value of the airport have been considered by the financial experts and valuers, including earnings-based, discounted cash flow, net asset value and dividend yield methods. They consider that, based on nature and size of the Group, the earnings-based method is the most appropriate for the

Manchester Airport Holdings Ltd shares for 2020/21. The valuation provided is based on estimations and assumptions derived on an open market value basis taking into account the nature of the shares and therefore, should the Council sell its shareholding, the value held in these statements may not be realised.

The new car park opened at the end of 2020 and so there is no publicly available trading history for Manchester Airport Car Parking Ltd. With the limited amount of information available, the valuers consider the discounted cash flow (DCF) method the most appropriate for 2020/21.

Further information on the valuation of the Council's shareholding is provided in Note 15 C, Fair Value of Financial Assets.

Accounting for Schools

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

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

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

All school expenditure is funded directly by the Dedicated Schools Grant (DSG) allocation and other school specific grants provided by the Department for Education (DfE). Any year-end surplus reported on either an individual school or within the DSG centrally retained funds is permitted to be carried forward and recorded in the appropriate council reserve account at year end. In November 2020, the Ministry of Housing, Communities and Local Government amended the regulations with regards to deficit balances on DSG budgets. An overall year-end deficit on the DSG is no longer charged to a revenue account and is instead recorded as an unusable reserve, carried forward and funded from future DSG income.

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

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

Accounting for Schools' non-current assets

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

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

Type of School	Nursery Schools	Primary Schools	Secondary Schools	Special Schools	**31 March 2021 Total**	31 March 2020 Total	On/Off balance sheet
Community	4	53	4	6	**67**	68	On
Voluntary Controlled		6			**6**	6	Off
Voluntary Aided		16	2		**18**	19	Off
Maintained Schools	4	75	6	6	**91**	93	
Academies*		10	8		**18**	14	Off
Total	**4**	**85**	**14**	**6**	**109**	107	

*Includes new build academies outside of the Council's control.

Community Schools

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

The value of Community schools within the other land and buildings category of non-current assets is £393m at 31 March 2021 (£378m at 31 March 2020).

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

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

Voluntary Controlled (VC) and Voluntary Aided (VA) Schools

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

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

Capital expenditure on VC Schools, whether a Council-led scheme or a school directly funded scheme, is recorded as Revenue Expenditure Funded from Capital Under Statute (REFCUS).

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

Academies

Academies are not recorded in the Council's Balance Sheet. The freehold land on which the schools are located is owned by the Council and 125-year leases at peppercorn rents have been granted to the relevant charitable bodies now responsible for running the schools.

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

One VA and one community secondary school converted to academy status during the year. The community school and associated recreation centre transfer generated a loss on disposal of £16.975m. The VA transfer did not generate a loss on disposal as it was not recorded on the Balance Sheet at 31 March 2020.

Stockport Exchange Multi-Storey Car Park

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

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

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

Stockport Exchange Phase 3

Stockport Exchange Phase 3 has seen the development of a 60,000 sq. ft. office block and public realm. Muse Developments (Muse) were selected as the preferred development partner following a procurement exercise.

In October 2018 the Council and Muse entered into a funding agreement for the Council to provide funds for the development on a commercial basis. The developer, in turn, created a Special Purpose Vehicle (SPV) which drew down the funds to the SPV, based on contractor certificates as the development of the office block proceeded. A long lease for the office land at a peppercorn rent was entered into from the Council to Stockport Exchange Phase 3 Limited (SEP 3), the SPV.
At 31 March 2020 Muse held all the equity interest in SEP 3 and there was no Council representation on the Board of SEP 3, which was considered to be outside of the Council's group boundary.

The office was completed in May 2020. As part of the arrangement there was put/call option that would be exercised if Muse failed to find a buyer for the office following completion.

On 15 May 2020 the option was exercised and the Council purchased the share capital in SEP 3 for £1, which is recognised in long-term investments. On the same date the lease was surrendered and the carrying value of the office, £16.313m, was transferred to the Council's balance sheet in return for extinguishing the loan to SEP 3.

The office is classified as an investment asset and is included in the Council's balance sheet at fair value in accordance with IFRS 13. At 31 March 2021 the valuation was £16.275m.

There are minimal transactions remaining in SEP 3, comprising final public realm works and the payment of retentions to the contractor. The Council has guaranteed to meet these final items of expenditure as part of the Capital Programme.

Although, SEP 3 is a wholly owned company of the Council, based on qualitative and quantitative assessments, the interest in the company is not considered material for consolidation into the Group Accounts. Information is material if omitting it or misstating it could influence the decision or view that users of accounts make, on the basis of financial information about a specific reporting entity.
Once all transactions are complete, SEP 3 will become a dormant company.

Pensions Liability

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

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

Group Accounts
The Council has relationships with a number of companies over which it has varying degrees of control and influence. The Code requires that where a local authority has material financial interests and a significant level of control over an entity then it should prepare group accounts. In line with the Code, the Council continues to review its relationship with other entities, particularly in respect of the definition of control and accounting for joint arrangements. Further information about the Council's Group can be found in the Notes to the Group Accounts on page 183.

Property, Plant and Equipment
The valuation of the Council's Property, Plant and Equipment (PPE) is a significant area of estimation uncertainty. If the actual values differ from the assumptions used to value PPE, there is a risk of material adjustment to the carrying value of PPE within the next financial year. A reduction in estimated valuation would result in a reduction to the Revaluation Reserve and/or a loss recorded in the Comprehensive Income and Expenditure Statement. An increase in estimation valuation would result in an increase in the Revaluation Reserve and/or gain recorded in the Comprehensive Income and Expenditure Statement. As an example, the impact of a 10% change in the valuation of the Council's operational property would be £121m. Note 11, Property, Plant and Equipment, to the accounts sets out the Council's approach to valuation of its PPE.

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

5. Material items of Income and Expenditure

Change in current value of Council Dwellings
There has been a revaluation gain posted to the revaluation reserve of £84.685m. The gain has arisen due to an increase in the HM Land Registry indices of 11.7% over 2019/20 offset by investment in council dwellings which has not resulted in a £ for £ increase in value. Council dwellings have been subject to a full revaluation in 2020/21 giving rise to a further gains from re-aligning the portfolio to current market prices.

Change in Fair Value of Investment Properties
There is a loss of £14.350m arising on the revaluation of an investment asset, Merseyway Shopping Centre, which has been accounted for within Financing and Investment Income and Expenditure. There is no impact on the General Fund as the

loss is reversed out in the Movement in Reserves Statement. Further details are given in the Narrative Statement.

School transferring to Academy Status
Werneth High School transferred to academy status on 1 January 2021.

The resulting loss on disposal amounting to £16.975m is disclosed within the Finance and Investment Income and Expenditure note. There is no impact on the General Fund as the loss is reversed out in the Movement in Reserves Statement.

Covid-19 Section 31 and Collection Fund Deficit Earmarked Reserve
In 2020/21 the Council received additional Business Rates Section 31 grant of £41.508m, which includes compensation for the loss of Business Rates income as a result of the extended retail relief given to retail hospitality and leisure businesses and nursery providers to support them through the pandemic. The legislation that governs Collection Fund accounting means the related deficit as a result of the loss of Business Rates income in-year will not be charged to the Council's General Fund until 2021/22. As a result, the £41.508m has been transferred to the Collection Fund Reserve and will be drawn down to offset the deficit in 2021/22. Although these resources are classified as available resources they are specifically earmarked to finance the deficit in 2021/22 in the tables and notes to the accounts where applicable to make it clear.

6. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue on 8 September 2021 by the Deputy Chief Executive (Section 151 Officer). This is the date up to which events after the balance sheet date have been considered and included where relevant.

7. Earmarked Reserves within General Fund and HRA Balances

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

	Balance at 31 March 2020 £000	Transfer DSG deficit to unusable reserves £000	Restated Balance 2021 £000	(Increase)/ Reduction in year £000	Reclassific-ations in year £000	**Balance at 31 March 2021 £000**
School Balances under Local Management:						
Primary Schools	(7,644)		(7,644)	(3,242)		**(10,886)**
Secondary Schools	49		49	(2,064)		**(2,015)**
Special Schools	(879)		(879)	(165)		**(1,044)**
Other School Balances less than £0.5m	(1,517)		(1,517)	(180)		**(1,697)**
School Balances under Local Management Total	**(9,991)**		(9,991)	**(5,651)**		**(15,642)**
DSG Total	1,302	(1,302)	0	~~0~~		**0**

	Balance at 31 March 2020 £000	Transfer DSG deficit to unusable reserves £000	Restated Balance 2021 £000	(Increase)/ Reduction in year £000	Reclassific-ations in year £000	**Balance at 31 March 2021 £000**
Schools Reserves Total	**(8,689)**	**(1,302)**	**(9,991)**	**(5,651)**	**0**	**(15,642)**
Transformation - Invest to Save Reserve	(4,786)		(4,786)	462	1,671	**(2,653)**
Transformation - Double Running Reserve	(2,361)		(2,361)	415		**(1,946)**
Workforce Investment/Change Reserve	(3,500)		(3,500)	25	1,167	**(2,308)**
Airport Reserve	(750)		(750)		(4,680)	**(5,430)**
Capital Programme Investment Reserve	(15,144)		(15,144)	240	440	**(14,464)**
Corporate Property Reserve	(843)		(843)			**(843)**
Infrastructure Investment Reserve	(1,783)		(1,783)		395	**(1,388)**
Digital by Design Reserve	(3,110)		(3,110)	458		**(2,652)**
Health and Social Care Integration Reserve	(2,031)		(2,031)	(8,874)	1	**(10,904)**
Equipment Refresh Reserve	(1,234)		(1,234)	84	1,054	**(96)**
Waste Smoothing Reserve	(5,047)		(5,047)		3,925	**(1,122)**
Traded Services Reserve	(532)		(532)			**(532)**
Community Investment Fund	(820)		(820)	197		**(623)**
SEND	(795)		(795)			**(795)**
Cabinet One-Off Investment/MTFP Reserve	0		0	(1,184)	(5,004)	**(6,188)**
Greater Manchester Bus Reform Contribution	0		0	~~0~~	(1,859)	**(1,859)**
Children's Reserve	(1,839)		(1,839)	~~0~~	~~0~~	**(1,839)**
Adults Reserve	(1,562)		(1,562)	~~0~~	~~0~~	**(1,562)**
Demand Changes Reserve	(578)		(578)	~~0~~	~~0~~	**(578)**
Insurance Reserve	(7,145)		(7,145)	(1,000)	2,000	**(6,145)**
Collection Fund Reserve	(5,609)		(5,609)	(5,994)	3,446	**(8,157)**
Legislative and Statutory Requirements Reserve	(992)		(992)	4	~~0~~	**(988)**
Third Party Monies Reserve	(796)		(796)	341	~~0~~	**(455)**
Area Committee Reserves	(403)		(403)	69	~~0~~	**(334)**
Revenue Grant Reserve (includes ringfenced reserves)	(10,659)		(10,659)	(764)	~~0~~	**(11,423)**
RCCO	(1,577)		(1,577)	(485)	(387)	**(2,449)**
Income and Interest Rate Risk Mitigation Reserve	(2,067)		(2,067)	269	(2,006)	**(3,804)**
Directorate Flexibility Reserve - Place	(87)		(87)	~~0~~	(163)	**(250)**
Directorate Flexibility Reserve - People	(250)		(250)	~~0~~	~~0~~	**(250)**
Directorate Flexibility Reserve - CSS	(250)		(250)	~~0~~	~~0~~	**(250)**
General Fund Earmarked Reserves	(76,550)		(76,550)	(15,737)	0	**(92,287)**
Schools and General Fund Earmarked Reserves available to the Council	**(85,239)**	**(1,302)**	**(86,541)**	**(21,388)**	**0**	**(107,929)**
Collection Fund Reserve - S31 Grants to fund 21/22 Collection Fund deficit*				(41,508)		**(41,508)**
Schools and General Fund Earmarked Reserves	(85,239)	(1,302)	(86,541)	(62,896)	0	**(149,437)**
HRA Earmarked reserves	(1,345)		(1,345)	(266)	0	**(1,611)**
All Earmarked Reserves Total	**(86,584)**	**(1,302)**	**(87,886)**	**(63,162)**	**0**	**(151,048)**
Comparative figures for previous year	(79,841)			(6,743)	0	(86,584)

*The surplus on Business Rates Section 31 grants includes £41.508m of grant received by the Council including compensation for the loss of Business Rates income as a result of the extended retail relief given to retail hospitality and leisure businesses, and nursery providers to support them through the pandemic. The legislation that governs Collection Fund accounting means the related deficit as a result of the loss of Business Rates income in-year will not be charged to the council's General Fund until 2021/22. As a result, the £41.508m has been transferred to the Collection Fund Reserve and will be drawn down to offset the deficit in 2021/22; these resources are not available funds.

8. Other Operating Expenditure

	2020/21 £000	2019/20 £000
Levies	**40,842**	40,784
(Gains) on the disposal of non-current assets	**(2,807)**	(1,101)
Impairment of non-current asset for sale	**130**	26
Payments to the Government Housing Capital Receipts Pool	**2,296**	2,315
	40,461	42,024

9. Financing and Investment Income and Expenditure

	2020/21 Expenditure £000	**2020/21 Income £000**	**2020/21 Net £000**	2019/20 Expenditure £000	2019/20 Income £000	2019/20 Net £000
Interest payable and similar charges	**20,766**		**20,766**	19,968		19,968
Net interest on the net defined benefit liability	**28,268**	**(20,207)**	**8,061**	32,397	(22,838)	9,559
Interest receivable and similar income		**(6,355)**	**(6,355)**		(5,628)	(5,628)
Income and expenditure in relation to investment properties and changes in their fair value	**13,889**	**(15,685)**	**(1,796)**	29,335	(15,281)	14,054
Gains/ losses on trading accounts	**343**	**(283)**	**60**	327	(342)	(15)
Dividend income					(6,570)	(6,570)
Loss on disposal of academies	**16,975**		**16,975**	612		612
Impairment losses of financial Instruments	**6,117**		**6,117**	712		712
	86,358	**(42,530)**	**43,828**	83,351	(50,659)	32,692

10. Taxation and Non-Specific Grant Income

	2020/21 £000	2019/20 £000
Capital grants and contributions	**(30,360)**	(35,545)
Council tax income	**(158,675)**	(156,744)
Non-domestic rates*	**(22,139)**	(62,248)
Non-ringfenced government grants:		
- S31 grant Covid-19 Extended Retail Relief**	**(41,508)**	
- Other non-ringfenced government grants***	**(50,701)**	(31,389)
	(303,383)	(285,926)

*The year on year decrease has arisen from the deficit due to additional 100% Business Rates reliefs announced in March 2020 for retail, leisure and hospitality businesses.

**This grant has been transferred to an earmarked reserve and will be utilised in 2021/22 to fund the collection fund deficit.

***The increase in other non-ringfenced government grants is partially attributable to Covid-19 grants due to the Council in 2020/21. Further details are set out in Note 32.

11. Property, Plant and Equipment

Movements in 2020/21

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2020	**452,424**	**595,825**	**39,184**	**526,063**	**1,872**	**4,093**	**35,928**	**1,655,389**
Additions	**19,340**	**5,524**	**2,341**	**17,274**			**25,137**	**69,616**
Revaluation increases/ decreases to Revaluation Reserve	**73,602**	**35,991**						**109,593**
Revaluation increases/ decreases to Surplus or Deficit on the Provision of Services	**2**	**(1,096)**						**(1,094)**
Derecognition - Disposals	**(2,873)**	**(17,920)**		**(1,343)**				**(22,136)**
Reclassifications & Transfers	**7,895**	**1,685**	**352**	**14,929**			**(25,198)**	**(337)**
Other Movements *			**(3,954)**					**(3,954)**
At 31 March 2021	**550,390**	**620,009**	**37,923**	**556,923**	**1,872**	**4,093**	**35,867**	**1,807,077**
Accumulated Depreciation and Impairment								
At 1 April 2020	**(11,353)**	**(31,374)**	**(25,524)**	**(138,497)**	**(318)**	**(306)**		**(207,372)**
Depreciation Charge	**(11,877)**	**(20,165)**	**(1,688)**	**(19,145)**	**(52)**	**(5)**		**(52,932)**
Depreciation written out to Revaluation Reserve	**11,083**	**20,065**						**31,148**
Depreciation on Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	**270**	**3,494**				**30**		**3,794**
Derecognition - Disposals	**76**	**945**		**107**				**1,128**
Other Movements *			**3,954**					**3,954**
At 31 March 2021	**(11,801)**	**(27,035)**	**(23,258)**	**(157,535)**	**(370)**	**(281)**	**0**	**(220,280)**
Net Book Value								
At 31 March 2021	**538,589**	**592,974**	**14,665**	**399,388**	**1,502**	**3,812**	**35,867**	**1,586,797**
At 1 April 2020	441,071	564,451	13,660	387,566	1,554	3,787	35,928	1,448,017

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

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

Movements in 2019/20

Revaluations

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

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

Properties which are valued at current value are formally valued under a five-year rolling programme, with annual desk top reviews in the intervening period, to ensure that carrying values do not differ materially from current values at the balance sheet date. Valuations are commissioned with a valuation date of 1 April 2020.

HRA properties were valued in March 2021 in line with MHCLG guidance "Stock Valuation for Resource Accounting – Guidance for Valuers – 2016".

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

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

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

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

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

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

Category	**Life of Asset**
Housing Stock	Buildings 15 to 70 years for components, 150 years residual value
Other Buildings	Buildings 40 years
Vehicles, Plant and Equipment	Plant 10 years Equipment / ICT 5 years

	Solar Panels (council dwellings) 25 years
Infrastructure	Bridges 40 years Highways 25 years Playgrounds 25 years
Community Assets	40 years

From 1 April 2010 there has been a requirement to apply component accounting in order to calculate depreciation on assets within Property, Plant and Equipment, to accurately reflect the cost of use of the assets. This means that each part of an item of Property, Plant and Equipment, with a cost that is significant in relation to the cost of the item, shall be depreciated separately. In practice this has been achieved by applying a de minimis limit to individual asset values within the Property, Plant and Equipment category of £1m. Below this limit componentisation has been considered not to have a material effect on depreciation charges.

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

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

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

	Council Dwellings £000	**Other Land and Buildings £000**	**Vehicles, Plant & Equipment £000**	**Infrastructure Assets £000**	**Community Assets £000**	**Surplus Assets £000**	**Assets Under Construction £000**	**Total Property, Plant and Equipment £000**
Valued at historical cost:		388	14,665	399,388	1,502		35,867	451,810
Valued at current value in:								
2020/2021	538,589	537,218				3,812		1,079,619
2019/2020		29,642						29,642
2018/2019		11,599						11,599
2017/2018		5,993						5,993
2016/2017		8,134						8,134
	538,589	**592,974**	**14,665**	**399,388**	**1,502**	**3,812**	**35,867**	**1,586,797**

Capital Commitments

Capital works are normally planned and carried out over a number of years. At 31 March 2021 the Council had £24.369m which had been contracted for. These works include further phases of schemes which are already in progress as well as other planned schemes which have not yet been started.

	2020/21 £000	2019/20 £000
Housing schemes - affordable housing and new builds	**7,056**	8,215
Other Highways Schemes	**5,126**	2,674
Improvements to schools	**3,472**	1,723
Highways Improvement Programme	**3,050**	3,119
Regeneration and Environmental Works	**1,763**	1,045
Repairs and improvements to other Council properties	**1,563**	904
Highways - A6 to Manchester Airport Relief Road	**1,228**	7,959
Highways Town Centre Access Package	**1,111**	2,638
	24,369	28,277

12. Heritage Assets

Movements in 2020/21

	Properties and monuments £000	Fine and Decorative Art £000	Social and Industrial History £000	Civic Regalia £000	Total Heritage Assets £000
Cost or Valuation					
At 1 April 2020	**6,841**	**5,228**	**395**	**724**	**13,188**
Additions	**13**				**13**
Insurance revaluations		**45**			**45**
At 31 March 2021	**6,854**	**5,273**	**395**	**724**	**13,246**
Accumulated Depreciation and Impairment					
At 1 April 2020	**(1,503)**				**(1,503)**
Depreciation Charge	**(160)**				**(160)**
At 31 March 2021	**(1,663)**	**0**	**0**	**0**	**(1,663)**
Net Book Value					
At 31 March 2021	**5,191**	**5,273**	**395**	**724**	**11,583**
At 1 April 2020	5,338	5,228	395	724	11,685

Movements in 2019/20

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

The Council's Heritage Assets comprise:

Properties and Monuments
These comprise properties which are considered to be held and maintained principally for their contribution to knowledge and culture and are reported at historical cost. The most significant assets by value are Staircase House (£2.88m), a Medieval Town House with a Jacobean staircase and Bramall Hall (£2.18m), a Tudor manor house, which recently underwent an extensive restoration.

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

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

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

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

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

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

Preservation and Management

Buildings, statues, memorials and monuments

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

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

Collections

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

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

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

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

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

13. Investment Properties

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

	2020/21 £000	2019/20 £000
Income including rental income	**(15,257)**	(15,281)
Expenditure	**6,827**	7,848
Net income from investment properties	**(8,430)**	(7,433)
(Gain) on disposal of investment properties	**(428)**	
Changes in Fair Value of Investment Properties (unrealised gains/losses)	**7,062**	21,487
	(1,796)	14,054

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

Valuation Process for Investment Properties

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

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

The Council's 4.64% interest in land held at Manchester Airport is based on a value obtained by Manchester City Council's valuer in 2020/21.

The Council's interests in Merseyway Shopping Centre, Debenhams and Redrock Leisure complex have been valued by CBRE Ltd at 31 March 2021.

Fair Value Hierarchy

The Council's investment portfolio comprises a core of industrial ground leases, as well as a mix of retail, commercial and leisure property.

All of the Council's directly held investment assets, valued at £166.214m, have been assessed overall as Level 3 in the fair value hierarchy as the measurement technique uses Level 2 observable inputs, but with some Level 3 unobservable inputs to determine the fair value measurements (e.g. location or physical condition). The Manchester Airport Land, valued at £9.730m, has been assessed as Level 2 in the fair value hierarchy.

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

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

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

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

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

Highest and Best Use of Investment Properties

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

Valuation Techniques

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

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

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

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

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

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

The table below shows the yield sensitivity analysis for the Council's largest investment assets:

Asset	Fair value £000	yield %	Value yield +0.5% £000	Value yield -0.5% £000
Merseyway Precinct	19,850	11.25%	18,900	21,000
2 Stockport Exchange Office	16,275	7.50%	15,214	17,027
Aurora Business Park	15,742	6.50%	14,618	17053
Redrock Leisure Complex	13,675	8.32%	12,870	14,600
Mallowdale Road land lease	12,785	4.0%	11,363	14,609
1 Stockport Exchange Office	12,100	7.5%	11,346	12,967
Stockport Crematorium	11,000	6.0%	10,225	12,100
Stockport Exchange Hotel	8,764	7.50%	8,177	9,435

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

	Investment Assets 2020/21 £000	**Assets Under Construction 2020/21 £000**	**Total 2020/21 £000**	Investment Assets 2019/20 £000	Assets Under Construction 2019/20 £000	Total 2019/20 £000
Balance at start of year	**166,229**	**3,582**	**169,811**	183,788	3,002	186,790
Additions:						
- Purchases		**650**	**650**	1,530		1,530
- Stockport Exchange office (loan extinguished - Note 4)	**16,313**		**16,313**			
- Other expenditure	**116**	**1,107**	**1,223**	1,165	1,173	2,338
- Transfers	**840**	**(848)**	**(8)**	1,233	(593)	640
Disposal	**(492)**		**(492)**			
Net unrealised(losses) from fair value adjustments	**(7,062)**		**(7,062)**	(21,487)		(21,487)
Balance at end of the year	**175,944**	**4,491**	**180,435**	166,229	3,582	169,811

The net losses arising on revaluation in 2020/21 include £14.350m loss on the revaluation of Merseyway Shopping Centre, £6.083m losses on other town centre assets, offset by gains spread over a range of other investment properties.

The changes in fair value of investment property are attributable to Level 3 assets (£6.773m loss) and Level 2 assets (£0.289m loss). All other movements relate to Level 3 assets.

14. Intangible Fixed Assets

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

	2020/21 £000	2019/20 £000
Balance at start of year:		
- gross carrying amount	**4,323**	3,188
- accumulated amortisation	**(3,188)**	(3,188)
Net carrying amount at start of year	**1,135**	0
Additions/transfers		1,135
Amortisation for the year	**(227)**	

Net carrying amount at end of year	**908**	1,135
Comprising: Gross carrying amounts Accumulated amortisation	 **4,323** **(3,415)**	 4,323 (3,188)
	908	1,135

15. Financial Instruments

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

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

Definitions

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

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

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

A. Financial Instrument Balances

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

	Long-Term Balance at 31 March 2021 £000	Current Balance at 31 March 2021 £000	Long-Term Balance at 31 March 2020 £000	Current Balance at 31 March 2020 £000
Financial liabilities at amortised cost				
Borrowing:				
PWLB: maturity loans	**369,206**	**15,109**	384,290	15,099
Market loans – LOBOs	**18,087**		18,092	
Market loans - converted LOBOs	**61,163**		61,173	
Market loans - other long-term loans	**40,329**		40,329	
Other local authorities +364 days (at start)		**10,093**		7,510
Short-term loans		**118,307**		128,259
Salix Loans	**2,773**	**664**	2,769	443
Sub Total	**491,558**	**144,173**	506,653	151,311
Bank overdraft	**0**	**2,140**		2,763
Total	**491,558**	**146,313**	506,653	154,074
Trade Payables	**1,576**	**58,120**	1,386	64,605
Other Payables		**6,011**		4,516
Other Long-Term Liabilities at amortised cost:				
Stockport Exchange Multi Story Car park finance lease	**13,700**		13,700	
Total Liabilities	**506,834**	**210,444**	521,739	223,195
Financial assets at amortised cost				
Investments:				
Short-term investments		**17,450**		78,045
Cash & Cash Equivalents		**27,903**		49,483
Total		**45,353**		127,528
Financial assets				
Historic Cost				
Unquoted equity investment at cost	**100**		100	
Fair Value through Other Comprehensive Income				
Long-term investments – Airport	**32,000**		30,200	
Unquoted equity investment - Airport	**5,700**		1,870	
Other Long-Term Receivables at amortised cost				
Stockport Exchange Multi Story Carpark finance lease	**13,700**		13,700	
Total	**51,500**		45,870	
Receivables at amortised cost				
Trade Receivables	**1,975**	**49,241**	1,719	46,482
Other Loans	**39,926**	**50**	21,768	14,861
Loans to subsidiary companies	**79,468**	**7,285**	65,506	3,703
Total	**121,369**	**56,576**	88,993	65,046
Total Assets	**172,869**	**101,929**	134,863	192,574

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

Included in the other loans figure of £39.976m is:

- The Manchester Airport loan conversion of debt previously administered on behalf of the Airport by the Council, comprising a number of PWLB annuity and maturity loans for which the Council was previously reimbursed. These were converted into one loan of £9.151m for 45 years at 12% on 9 February 2010 (across 10 Greater Manchester Councils). This loan has £1.673m of accrued interest.

- During 2018/19 an opportunity arose for the Council, as one of the nine districts along with Manchester City Council who are shareholders in Manchester Airport Group, to support the Airport Transformation Programme through shareholder loans. The investment is fully aligned to the economic and strategic priorities for GM and will help secure future dividend growth for the Council. The Council's total Manchester Airport Strategic Investment is £11.278m and is included in the Council's capital programme, funded by prudential borrowing. This loan has £1.718m of accrued interest.

- During 2020/21 financial support through a shareholder loan of £9.677m was made to Manchester Airport Group by the Council along with the other Greater Manchester Authority shareholders. The shareholder loan was provided to the Airport to contribute to approved capital works. This loan has £0.729m of accrued interest.

- £5.750m car and other loans.

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

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

The Council has temporary loans of £118.307m as at 31 March 2021. Temporary loans comprise money market loans at fixed interest rates, mainly with other local authorities, repayable within the next financial year.

The Council has £3.437m in interest free loans from Salix, which is Government funding to the public sector to improve their energy efficiency. Funding of £0.607m was received in 2020/21 (£1.215m in 2019/20) and £0.382m was repaid to Salix

(£0.111m in 2019/20). A further £664k is due to be repaid in 2021/22. If material, the effective interest rate of these loans should be calculated so that the value of the financial assistance provided by the lender to the Council can be separated from the financing cost of the transaction. The gain represented by this opportunity however is not material.

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

Designation to Fair Value through Other Comprehensive Income

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

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

B. Financial Instruments Gains and Losses

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

	Balance as at 31 March 2021				
	Financial Liabilities measured at amortised cost £000	**Financial Assets measured at amortised cost £000**	**Financial Assets Fair Value through Other Comprehensive Income £000**	**Financial Assets at Historic Cost £000**	**Total £000**
Interest expense	20,766				**20,766**
Impairment losses of financial instruments		6,117			**6,117**
Total expense in (Surplus) or Deficit on the Provision of Services	**20,766**	**6,117**	**0**	**0**	**26,883**
Interest income		(6,355)			**(6,355)**
Total income in (Surplus) or Deficit on the Provision of Services		**(6,355)**			**(6,355)**
Unrealised Gain on revaluation			(1,890)		**(1,890)**

Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure			**(1,890)**		**(1,890)**
Net (gain)/loss for the year	**20,766**	**(238)**	**(1,890)**		**18,638**

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

C. Fair Value of Financial Assets

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

Financial assets measured at fair value			
Recurring Fair Value Measurements	**Input level in Fair Value Hierarchy**	**Valuation technique used to measure Fair Value**	**£000**
Fair Value through Other Comprehensive Income			
Manchester Airport as at 31 March 2021	**Level 2**	**Earnings Based**	**32,000**
Manchester Airport Car Parking Ltd at 31 March 2021	**Level 2**	**Discounted Cash Flow**	**5,700**
Manchester Airport as at 31 March 2020	Level 2	Earnings Based	30,200

The Council holds a 3.22% share in Manchester Airport Holdings Ltd (MAHL). There is a high degree of comparability with listed company data and the valuation conclusion (including any movement in share price) is measurable against listed counterparts. It is therefore considered that the shares should be classed as input Level 2 on the fair value hierarchy for the purposes of IFRS 13.

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

The valuation has been made using Manchester Airport Group's annual reports and accounts for the year ended 31 March 2020 and interim report and accounts for the six months ended 30 September 2020, in addition to any further information that is publicly available.

The current fair value of the shares (which represent a 3.22% minority shareholding) may reasonably be estimated at £32 million as at 31 March 2021. In 2020/21 there has been an increase in value of £1.8m.

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

The new car park opened at the end of 2020 and so there is no publicly available trading history for Manchester Airport Car Parking Ltd. As with the shareholding in MAHL, the valuers have considered that the shares should be classed as input Level 2 on the fair value hierarchy. With the limited amount of information available, the valuers consider the discounted cash flow (DCF) method the most appropriate for 2020/21 and the current fair value of the shares as at 31 March 2021 may reasonably be estimated at £5.700m (the initial investment in 2019/20 was valued at cost).

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

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

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

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

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

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

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

Fair Value of Assets and Liabilities carried at Amortised Cost

The fair values are calculated as follows:

(i) Fair value of liabilities carried at amortised cost

Financial Liabilities:	31 March 2021 Carrying amount £000	Fair value £000	31 March 2020 Carrying amount £000	Fair value £000
PWLB: maturity	**384,315**	**498,592**	399,389	478,695
Market Loans - LOBOs	**18,087**	**25,692**	18,092	23,962
Market Loans - converted LOBOs	**61,163**	**83,528**	61,173	81,981
Market Loans - other long-term loans	**40,329**	**44,067**	40,329	42,561
Other Local Authorities + 364 days (at start)	**10,093**	**10,095**	7,510	7,507
Short-term borrowing	**118,307**	**118,307**	128,259	128,259
Salix Loans	**3,437**	**3,437**	3,212	3,212
Bank overdraft	**2,140**	**2,140**	2,763	2,763
Trade and other payables	**65,707**	**65,707**	70,507	70,507
Stockport Exchange multi storey car park finance lease	**13,700**	**13,700**	13,700	13,700
Liabilities	**717,278**	**865,265**	744,934	853,147

The Council has used a transfer value (new loan certainty rate) for the fair value of financial liabilities. In addition, an exit price valuation has also been taken (PWLB Maturity £608.372m) which is calculated using early repayment discount rates. The Council has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

Fair value of the liabilities at 31 March 2021 is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss, based on economic conditions at 31 March 2021, arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £498.592m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

The Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid.

For LOBO loans, fair value uses 'mark to model' and not 'mark to market' methodology. There were limited trades in the LOBO market for the financial year ending 31 March 2021.

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

(ii) Fair value of assets carried at amortised cost

Financial Assets:	**31 March 2021** Carrying amount £000	Fair Value £000	31 March 2020 Carrying amount £000	Fair Value £000
Cash & Cash Equivalents	**27,903**	**27,903**	49,483	49,483
Deposits with banks and building societies	**17,450**	**17,450**	78,045	78,045
Stockport Exchange multi storey car park finance lease	**13,700**	**13,700**	13,700	13,700
Trade receivables	**51,216**	**51,216**	48,201	48,201
Other loans	**39,976**	**103,692**	36,629	75,726
Loans to subsidiary companies	**86,753**	**86,753**	69,209	69,209
Assets	**236,998**	**300,714**	295,267	334,364

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

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

Fair value of long-term receivables is significantly higher than carrying value due to the inclusion of airport loans, where the coupon rate of the loans is much higher than current market rates. This shows a significant notional future gain based on economic conditions at 31 March 2021, arising from a commitment by the airport to pay interest above current market rates.

16. Nature and Extent of Risks arising from Financial Instruments

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

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

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

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

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

Overall Procedures for Managing Risk

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

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

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

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 27 February 2020 and is available on the Council website. The key points within the strategy were:

- The Authorised Limit for 2020/21 was set at £939m. This is the maximum limit of external borrowings or other long-term liabilities;
- The Operational Boundary was set at £919m. This is the expected level of debt and other long-term liabilities during the year;
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 40% respectively, based on the Council's net debt; and
- The maximum and minimum exposures to the maturity structure of debt are shown at Note 16c.

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

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

Treasury Management Policy Statement

The Council defines its treasury management activities as:

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

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

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

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

Managing Treasury Management Risks

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

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

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

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

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

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

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

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

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

The full investment strategy for 2020/21 was approved by Council on 27 February 2020 and is available on the Council website.

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

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £45.353m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2021 that this was likely to crystallise.

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

	Deposits with Banks & other Financial Institutions £000
Amounts as at 31 March 2021 (£000)	**45,353**
Historical Experience of Default	**0**
Historical experience adjusted for market conditions as at 31 March 2021	**0**
Estimated exposure to default & uncollectability (£000s)	**0**
Amounts as at 31 March 2020 (£000)	127,548
Historical Experience of Default	0
Historical experience adjusted for market conditions as at 31 March 2020	0

Estimated exposure to default & uncollectability (£000)	0

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

Within Financial Assets, there is £49.241m in current trade receivables at amortised cost. This is the net amount after the Council has applied an estimate for trade receivables which are expected to be irrecoverable based on local experience (i.e. Impairment Allowance). Note 17, Short and Long-Term Debtors including Payments in Advance, provides further details of the current trade receivables.

The Council does not generally allow credit for customers. The following table provides an age analysis of invoices raised for customer accounts, including lease and rental receivables, showing £19.063m is past its due date for payment (i.e. over 30 days).

	31 March 2021 **£000**	31 March 2020 Restated £000
One to three months	**4,391**	3,969
Three to six months	**4,047**	1,782
Six months to one year	**4,506**	1,171
More than one year	**6,119**	3,226
Total	**19,063**	10,148

The 2019/20 comparative figure in the table above has been restated to include lease and rental receivables as well as invoices raised for customer accounts past due date for payment (i.e. over 30 days). The increase during the year is due to the Council's response to the Covid-19 pandemic to support its businesses and local communities, e.g. by introducing a moratorium on collecting debts in the early days of the pandemic and agreeing special terms with some lease and rental customers. In light of this, the Council has carried out additional assessments when considering impairment allowances.

The past due but not impaired amount for invoices raised for customer accounts is £11.008m at 31 March 2021 (£8.040m at 31 March 2020), which is expected to be recoverable.

Amounts Arising from Expected Credit Losses

Impairments have been calculated for deposits held by the Council of £24.275m at 31 March 2021 using Historical Default Tables provide by Link Asset Services. Impairments have been calculated for deposits using Historical Default Tables provide by Link Asset Services. An historic risk of default and expected credit loss are only provided if a counterparty has a counterparty credit rating and are not provided for a Money Market Funds, for which the credit rating agencies provide a fund rating. The portfolio's historic risk of default and expected credit loss therefore measure the historic risk of a default and expected credit loss attached only to those investments for which a counterparty has a counterparty credit rating and do not include investments not rated.

The Historic Risk of Default is based on the lowest long-term rating. As this percentage is used for the Credit Loss calculation under IFRS 9, the Code does not recognise a loss allowance where the counterparty is central government or a local authority since relevant statutory provisions prevent default; for these instruments the Expected Credit Loss is nil. There are no such investments as at 31 March 2021.

The Historic Default rates used are from 1990-2020 for Fitch, 1983-2020 for Moody's and 1981-2020 for S&P. The calculation on the Council's investments showed the impairment loss to be immaterial and therefore no allowances have been made.

(b) Liquidity Risk

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

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

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

Loans Outstanding	**31 March 2021** **£000**	31 March 2020 £000
Public Works Loans Board	**381,469**	396,469
Market debt - LOBOs	**17,500**	17,500
Market debt - converted LOBOs	**60,000**	60,000
Market debt - other long-term loans	**40,000**	40,000
Other Local Authorities +364 days	**10,000**	7,500
Short-term borrowing	**118,019**	128,019
Salix Loans	**3,437**	3,212
Stockport Exchange Multi Story Carpark finance lease	**13,700**	13,700
Total	**644,125**	666,400
Less than 1 year	**143,684**	150,962
Between 1 and 2 years	**786**	15,664
Between 2 and 5 years	**22,629**	22,647
Between 5 and 10 years	**25,445**	7,489
More than 10 years	**451,581**	469,638
Total	**644,125**	666,400

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

(c) Refinancing and Maturity Risk

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

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

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

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

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy on 27 February 2020).

			31 March 2021			31 March 2020		
	Approved minimum limits	**Approved maximum limits**	**Fixed**	**Variable**	**Fixed**	Fixed	Variable	Fixed
	%	**%**	**£000**	**£000**	**%**	£000	£000	%
Less than 1 year	**0%**	**45%**	**143,665**	**19**	**22.3%**	150,943	19	22.6%
Between 1 and 2 years	**0%**	**45%**	**786**		**0.1%**	15,664		2.4%
Between 2 and 5 years	**0%**	**45%**	**22,629**		**3.5%**	22,647		3.4%
Between 5 and 10 years	**0%**	**45%**	**25,445**		**4.0%**	7,489		1.1%
More than 10 years	**50%**	**100%**	**451,581**		**70.1%**	469,638		70.5%
Total			**644,106**	**19**	**100.0%**	666,381	19	100.0%

(d) Market Risk

Interest rate risk

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

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

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

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

According to this assessment strategy, at 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2021 £000	31 March 2020 £000
Increase in interest payable on variable rate borrowings Increase in interest receivable on variable rate investments	1,355 (696)	1,530 (421)
Impact on Surplus or Deficit on the Provision of Services	**659**	**1,109**
Share of overall impact debited to the HRA	66	66
Impact on Other Comprehensive Income and Expenditure	**0**	**0**
Decrease in fair value of fixed rate borrowing liabilities (no impact on surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(117,031)	(108,367)

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

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

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

Price Risk

The Council does not generally invest in equity shares or marketable bonds, however in common with all Greater Manchester Authorities, the Council has shareholdings in the Manchester Airport Group. The fair value of the total shareholding at the balance sheet date is £37.700m (more information about the shareholding is provided at Note 15). Whilst this holding is generally illiquid (no active market), the Council is exposed to losses arising from movements in the price of the shares.

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

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

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

Foreign Exchange Risk

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

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

	Short-Term Gross Balance £000	Impairment allowance £000	31 March 2021 Short-Term £000	31 March 2021 Long-Term £000	31 March 2021 Total £000
Financial Assets					
Trade Receivables					
Central Government	6,391		6,391		6,391
Other Local Authorities	9,850		9,850		9,850
NHS Bodies	5,387	(26)	5,361		5,361
Other Entities and Individuals:					
Social Services Clients	6,591	(2,225)	4,366		4,366
Housing Rents	2,678	(1,795)	883		883
Lease and rental receivables	10,631	(4,841)	5,790	1,975	7,765
Other Entities and Individuals	16,137	(963)	15,174		15,174
Subsidiary Undertakings	1,426		1,426		1,426
	59,091	(9,850)	49,241	1,975	51,216
Other Receivables - Loans					
Loans - Manchester Airport				34,226	34,226
Loans - Subsidiary Undertakings	7,285		7,285	79,468	86,753
Car and Other loans	50		50	5,700	5,750
	7,335	0	7,335	119,394	126,729
Total Receivables (Financial Assets)	66,426	(9,850)	56,576	121,369	177,945
Other Receivables (Non-Financial Assets)					
Central Government (Tax)	6,826		6,826		6,826
Housing Benefits	3,932	(3,820)	112		112
Collection Fund:					
Business Rates	8,565	(8,565)	0		0
Council Tax	13,777	(9,544)	4,233		4,233
Payments in advance:					
Lease and rental receivables	224		224	3,737	3,961
Other payments in advance	10,274		10,274		10,274
Total Receivables (Non-Financial Assets)	43,598	(21,929)	21,669	3,737	25,406
Total Receivables	110,024	(31,779)	78,245	125,106	203,351

	Short-Term Gross Balance £000	Impairment allowance £000	31 March 2020 Short-Term £000	31 March 2020 Long-Term £000	31 March 2020 Total £000
Financial Assets					
Trade Receivables					
Central Government	3,127		3,127		3,127
Other Local Authorities	14,671		14,671		14,671
NHS Bodies	6,325	(13)	6,312		6,312
Other Entities and Individuals:					
Social Services Clients	8,756	(1,103)	7,653		7,653
Housing Rents	3,005	(1,817)	1,188		1,188
Lease and rental receivables	7,093	(666)	6,427	1,719	8,146
Other Entities and Individuals	6,483	(326)	6,157		6,157
Subsidiary Undertakings	947		947		947
	50,407	(3,925)	46,482	1,719	48,201
Other Receivables - Loans					
Loans - Manchester Airport				21,542	21,542
Loans - Subsidiary Undertakings	3,703		3,703	65,506	69,209
Loans - Stockport Exchange Phase 3	14,780		14,780		14,780
Car and Other loans	81		81	226	307
	18,564		18,564	87,274	105,838
Total Receivables (Financial Assets)	68,971	(3,925)	65,046	88,993	154,039
Other Receivables (Non-Financial Assets)					
Central Government (Tax)	2,995		2,995		2,995
Housing Benefits	4,700	(4,018)	682		682
Collection Fund:					
Business Rates	8,611	(6,412)	2,199		2,199
Council Tax	12,253	(4,966)	7,287		7,287
Payments in advance:					
Lease and rental receivables	304		304	3,248	3,552
Other payments in advance	8,261		8,261		8,261
Total Receivables (Non-Financial Assets)	37,124	(15,396)	21,728	3,248	24,976
Total Receivables	106,095	(19,321)	86,774	92,241	179,015

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

	2020/21 £000	2019/20 £000
Balance at beginning of year	**(3,925)**	(3,515)
(Increase) in loss allowance recognised in Finance and Investment Income and Expenditure	**(6,117)**	(712)
Receivables written off during the year	**192**	302
Balance at end of year	**(9,850)**	(3,925)

The loss allowance for bad debts has been calculated based on life time expected credit losses (simplified approach) for trade and lease receivables, including HRA rental arrears.
Trade receivables have been collectively assessed according to the groupings shown in the Note, for the purposes of calculating expected credit losses. Write offs occur only when all possible debt recovery procedures have been unable to secure payment.

18. Cash and Cash Equivalents

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

	Balance at 31 March 2021 £000	Balance at 31 March 2020 £000
Cash and bank balances	**21,078**	17,138
Short-term investments, considered to be cash equivalents	**6,825**	32,345
	27,903	49,483
Bank Overdraft	**(2,140)**	(2,763)
	25,763	46,720

19. Assets held for Sale

	Current 31 March 2021 £000	Current 31 March 2020 £000
Balance at start of year	**576**	556
Additions	**45**	21
Transfers	**345**	268
Impairment losses	**(130)**	(26)
Assets sold		(243)
Balance at end of year	**836**	576

There are no non-current assets held for sale at 31 March 2021 (31 March 2020 – Nil).

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

-	31 March 2021 Short-Term £000	31 March 2021 Long-Term £000	31 March 2021 Total £000
Financial Liabilities			
Trade Payables			
Central Government	**(4,612)**		**(4,612)**
Other Local Authorities	**(439)**		**(439)**
NHS Bodies	**(4,964)**		**(4,964)**
Other Entities and Individuals	**(42,914)**		**(42,914)**
Subsidiary Undertakings	**(5,191)**		**(5,191)**
Finance Lease Payables		**(1,576)**	**(1,576)**
	(58,120)	**(1,576)**	**(59,696)**
Other Payables			
Employees Accumulated Absences	**(6,011)**		**(6,011)**
	(64,131)	**(1,576)**	**(65,707)**
Other Trade Payables (Non-Financial Liabilities)			
Central Government (Tax)	**(4,234)**		**(4,234)**
Debt administered by other Councils	**(1,539)**		**(1,539)**
Collection Fund:			
Business Rates	**(2,803)**		**(2,803)**
Council Tax	**(2,280)**		**(2,280)**
Receipts in advance:			
Lease and rental receipts in advance	**(2,961)**	**(4,974)**	**(7,935)**
Social Care receipts in advance	**(68)**		**(68)**
Other receipts in advance	**(4,637)**	**(37)**	**(4,674)**
	(18,522)	**(5,011)**	**(23,533)**
Total Payables	**(82,653)**	**(6,587)**	**(89,240)**

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

21. Provisions

	Insurance Fund £000	Business Rates Appeals £000	Total £000	Comparative figures for 2019/20 £000
Long-term				
Balance 31 March 2020	(4,165)	(14,773)	(18,938)	(16,021)
Increases in year	(242)	0	(242)	(3,705)
Decreases in year		549	549	788
Balance as at 31 March 2021	**(4,407)**	**(14,224)**	**(18,631)**	(18,938)
Short-term				
Balance 31 March 2020	(933)	(3,091)	(4,024)	(3,971)
Increases in year	(228)	(6,478)	(6,706)	(3,100)
Decreases in year		5,818	5,818	3,047
Balance as at 31 March 2021	**(1,161)**	**(3,751)**	**(4,912)**	(4,024)
Total Provisions	**(5,568)**	**(17,975)**	**(23,543)**	(22,962)

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

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

The Council's appeals provision is £17.975m as at 31 March 2021 and is split across two Business Rates valuation lists; appeals relating to the 2010 Business Rates valuation list and appeals relating to the 2017 Business Rates valuation list.

- The 2010 valuation list appeals provision is calculated using the Valuation Office Agency (VOA) list of appeals as at 31 March 2021. The list has been analysed to assess the likelihood of appeals being successful and potential cost as a result.

- The 2017 valuation list appeal provision is calculated using a combination of the Valuation Office Agency (VOA) outstanding list of Check, Challenge and Appeals as of 31 March 2021, threats identified through Analyse Local intelligence and the multiplier adjustment included in the Business Rates Multiplier; this was included in the multiplier to ensure local authorities were able to raise sufficient revenue to cover the expected cost of successful appeals by businesses against their new rateable values following the 2017 Revaluation.

22. Usable Reserves

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

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

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

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

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

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

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

Major Repairs Reserve

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

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

23. Unusable Reserves

The movement on unusable reserves is shown below:

	Revaluation Reserve £000	Capital Adjustment Account £000	Financial Instruments Adjustment Account £000	Deferred Capital Receipts Reserve £000	Pensions Reserve £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Financial Instruments Revaluation Reserve £000	Dedicated Schools Grant Adjustment Account £000	Total Unusable Reserves £000
Balance at 31 March 2019 carried forward	(253,183)	(709,653)	955	(13,821)	393,683	(3,052)	4,476	(42,486)		(623,081)
Movement in reserves in 2019/20:										
Other Comprehensive Income and Expenditure	(59,711)				(100,663)			22,500		(137,874)
Movements to other reserves	7,663	8,322	(13)	1	39,767	(354)	40			55,426
Net (Increase)/ Decrease in 2019/20	(52,048)	8,322	(13)	1	(60,896)	(354)	40	22,500		(82,448)
Balance at 31 March 2020 carried forward	**(305,231)**	**(701,331)**	**942**	**(13,820)**	**332,787**	**(3,406)**	**4,516**	**(19,986)**		**(705,529)**
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020									**1,302**	**1,302**
Restated balance at 1 April 2020	**(305,231)**	**(701,331)**	**942**	**(13,820)**	**332,787**	**(3,406)**	**4,516**	**(19,986)**	**1,302**	**(704,227)**
Movement in reserves in 2020/21:										
Other Comprehensive Income and Expenditure	**(140,786)**				**146,885**			**(1,890)**		**4,209**
Movements to other reserves	**12,179**	**5,847**	**(15)**		**23,964**	**47,443**	**1,495**		**1,935**	**92,848**

Net (Increase)/ Decrease in 2020/21	**(128,607)**	**5,847**	**(15)**	**0**	**170,849**	**47,443**	**1,495**	**(1,890)**	**1,935**	**97,057**
Balance at 31 March 2021 carried forward	**(433,838)**	**(695,484)**	**927**	**(13,820)**	**503,636**	**44,037**	**6,011**	**(21,876)**	**3,237**	**(607,170)**

(a) Revaluation Reserve

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

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

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

	2020/21 £000	**2020/21 £000**	2019/20 £000	2019/20 £000
Balance at beginning of the year		**(305,231)**		(253,183)
Upward revaluation of assets	**(150,128)**		(75,441)	
Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	**9,342**		15,730	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**(140,786)**		(59,711)
Difference between fair value depreciation and historical cost depreciation	**10,461**		7,529	
Accumulated gains on assets sold or scrapped	**1,718**		134	
Amount written off to the Capital Adjustment Account		**12,179**		7,663
		(433,838)		(305,231)

(b) Capital Adjustment Account

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

	2020/21	2020/21	2019/20	2019/20

The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

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

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

	£000	£000	£000	£000
Balance at beginning of the year		**(701,331)**		(709,653)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation of non -current assets	**53,222**		48,453	
Revaluation (gains)/losses and impairment losses on Property, Plant and Equipment	**(2,700)**		(845)	
Charge for impairment of assets held for sale				
Amortisation of intangible assets	**227**			
Revenue expenditure funded from capital under statute	**2,811**		2,245	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**19,782**		4,052	
	73,342		53,905	
Difference between fair value depreciation and historical cost depreciation	**(10,461)**		(7,529)	
Net written out amount of the cost of non-current assets consumed in the year		**62,881**		46,376
Capital financing applied in the year:				
Receipt of capital loans	**2,734**		2,532	
Repayment of loans	**(2,734)**		(2,532)	
Use of the Capital Receipts Reserve to finance new capital expenditure	**(1,352)**		(2,391)	
Use of the Capital Receipts Reserve to finance prior capital expenditure	**(468)**		(1,286)	
Use of the Major Repairs Reserve to finance new capital expenditure	**(12,344)**		(11,903)	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**(22,644)**		(20,783)	
Application of grants and contributions to capital financing from the Capital Grants Unapplied Account	**(10,866)**		(10,729)	
Statutory provision for the financing of capital investment and charged against the General Fund and HRA balances	**(12,014)**		(11,073)	
Capital expenditure charged against the General Fund and HRA balances	**(2,962)**		(1)	
Principal repayments for transferred debt and deferred purchase scheme	**(1,446)**		(1,375)	
Voluntary revenue provision for capital financing				
		(64,096)		(59,541)
Movements in the market value of Investment properties debited or credited to the Comprehensive Income and Expenditure Statement		**7,062**		21,487

Balance at end of the year	**(695,484)**	(701,331)

(c) Financial Instruments Adjustment Account

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

	2020/21 £000	2019/20 £000
Balance at beginning of the year	**942**	955
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statute	**(15)**	(13)
Balance at end of the year	**927**	942

(d) Deferred Capital Receipts

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

	2020/21 £000	2019/20 £000
Balance at beginning of the year	**(13,820)**	(13,821)
Transfer to the Capital Receipts Reserve upon receipt of cash		1
Balance at end of the year	**(13,820)**	(13,820)

(e) Pensions Reserve

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

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

	2020/21 £000	2019/20 £000
Balance at beginning of the year	**332,787**	393,683
Remeasurements of the net defined benefit liability/asset	**146,885**	(100,663)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**46,533**	61,544
Employer's pensions contributions and direct payments to pensioners payable in the year	**(22,569)**	(21,777)
Balance at end of the year	**503,636**	332,787

(f) Collection Fund Adjustment Account

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

	2020/21 £000	2019/20 £000
Balance at beginning of the year	**(3,406)**	(3,052)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	**47,443**	(354)
Balance at end of the year	**44,037**	(3,406)

(g) Accumulated Absences Account

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

	2020/21 £000	**2020/21 £000**	2019/20 £000	2019/20 £000
Balance at beginning of the year		**4,516**		4,476
Settlement or cancellation of accrual made at the end of the preceding year	**(4,516)**		(4,476)	
Amounts accrued at the end of the current year	**6,011**		4,516	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**1,495**		40
Balance at end of the year		**6,011**		4,516

(h) Financial Instruments Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost; and
- disposed of and the gains are realised.

	2020/21 £000	2019/20 £000
Balance at beginning of the year	**(19,986)**	(42,486)
Transfer from Available for Sale Financial Instruments Reserve on change of classification of financial asset		
(Upward)/downward revaluation of investments - Manchester Airport	**(1,890)**	22,500
Balance at end of the year	**(21,876)**	(19,986)

(i) Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account was created on 1 April 2020 following new provisions put in place by the School and Early Years Finance (England) Regulations 2020 and Local Authority Finance Regulations. These regulations require the Council to carry forward a deficit on the Dedicated Schools Grant (DSG) from the current and previous years to be dealt with from future DSG income up to 2022/23. The Council must record the deficit in an unusable reserve created solely for the purpose of recording deficits relating to its school's budget.

	2020/21 £000
Balance at beginning of the year	**0**
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020	**1,302**
Restated balance at 1 April 2020	**1,302**
Deficit school's budget for the year	**1,935**
Balance at end of the year	**3,237**

24. Note to the Cash Flow Statement – Investing Activities

	2020/21 £000	2019/20 £000

Purchase of property, plant and equipment, investment property and intangible assets	**73,470**	68,992
Purchase of short-term and long-term investments	**109,440**	89,870
Other capital payments for investing activities	**40,783**	24,111
Other payment for investing activities		39
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(7,762)**	(4,675)
Capital grants	**(39,763)**	(38,271)
Proceeds from short-term and long-term investments	**(166,250)**	(17,000)
Other receipts from investing activities	**(2,779)**	(2,610)
	7,139	120,456

25. Note to the Cash Flow Statement – Financing Activities

	2020/21 £000	2019/20 £000
Cash receipts of short and long-term borrowing	**(163,607)**	(384,315)
Repayments of short and long-term borrowing	**187,328**	312,941
	23,721	(71,374)
Other receipts from financing activities	**1,148**	(326)
	24,869	(71,700)

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

	Balance at 1 April 2020 £000	**Financing cash flows £000**	**Non cash changes £000**	**Balance at 31 March 2021 £000**
PWLB Loans	**(399,389)**	**15,000**	**74**	**(384,315)**
LOBOS/Converted LOBOS	**(79,265)**		**15**	**(79,250)**
Temporary loans	**(135,769)**	**7,500**	**(131)**	**(128,400)**
Market Loans - BAE	**(40,329)**			**(40,329)**
Salix Loan	**(3,212)**	**(225)**		**(3,437)**
	(657,964)	**22,275**	**(42)**	**(635,731)**
Lease liabilities	**(13,700)**			**(13,700)**
Transferred debt	**(2,985)**	**1,446**		**(1,539)**
	(674,649)	**23,721**	**(42)**	**(650,970)**

26. Pension Schemes

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

<u>Pension Schemes Accounted for as Defined Contribution Schemes</u>

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

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

In 2020/21, the Council paid £17.27m to the Department for Education (£14.87m in 2019/20) in respect of teachers' pension costs, which represented 23.68% of teachers' pensionable pay (16.48% to 31 August 2019 and 23.68% thereafter in 2019/20). In addition, the Council is responsible for all pension payments relating to added years that it has awarded as discretionary benefits, together with the related increases. In 2020/21 these amounted to £1.2m (£1.2m in 2019/20), representing 1.6% of pensionable pay (1.7% in 2019/20).

The total contributions expected to be made to the Teachers' Pension Scheme by the Council in the year to 31 March 2022 are £17.3m.

There were contributions remaining payable at the year-end of nil (31 March 2020 - nil).

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

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

In 2020/21, the Council paid £0.028m to the NHS Pension Scheme in respect of former NHS staff retirement benefits (£0.024m in 2019/20), which represented 14.38% of pensionable pay (14.38% in 2019/20). There were no contributions remaining payable at the year end.

<u>Defined Benefit Pension Scheme</u>

Other Employees

In 2020/21, the Council paid an employer's contribution of £20.7m into the Greater Manchester Pension Fund (£19.8m in 2019/20), representing 18.8% of pensionable pay (18.6% in 2019/20). In addition, the Council makes further payments in respect of added years benefits it has awarded, together with the related increases. In 2020/21 these amounted to £0.73m (£0.75m in 2019/20), representing 0.7% of pensionable pay (0.7% in 2019/20).

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

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

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

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

The Balance Sheet holds the underlying assets and liabilities for retirement benefits attributable to the Council at 31 March 2021 and they are set out as follows:

Comprehensive Income and Expenditure Statement	2020/21			2019/20		
	Net (Liability)/ Assets £000	Assets £000	Obligations £000	Net (Liability)/ Assets £000	Assets £000	Obligations £000
Cost of Services:						
Service cost comprising:						
- current service cost	**37,955**		**37,955**	46,175		46,175
- past service costs (including curtailments)	**517**		**517**	5,810		5,810
Financing and Investment Income and Expenditure						
- interest income on plan assets	**(20,207)**	**(20,207)**		(22,838)	(22,838)	
- interest cost on defined benefit obligation	**28,268**		**28,268**	32,397		32,397
Post-employment benefits charged to CIES	**46,533**	**(20,207)**	**66,740**	61,544	(22,838)	84,382
Other Post-employment benefits charged to the CIES:						
Remeasurement of the net defined benefit liability comprising:						
- return on Plan assets (excluding the amount included in the net interest expense)	**(178,538)**	**(178,538)**		67,532	67,532	
- actuarial gains and losses arising on changes in demographic assumptions	**7,423**		**7,423**	(39,984)		(39,984)
- actuarial gains and losses arising on changes in financial assumptions	**329,496**		**329,496**	(99,767)		(99,767)
- Other experience	**(11,496)**		**(11,496)**	(28,444)		(28,444)
Re-measurements of the net defined pensions liability	**146,885**	**(178,538)**	**325,423**	(100,663)	67,532	(168,195)

Movement in Reserves Statement						
Reversal of net charges made for retirement benefits in accordance with IAS 19	**(46,533)**	**20,207**	**(66,740)**	(61,544)	22,838	(84,382)
Actual amounts charged against the General Fund Balance for pensions in the year:						
- Employers' contributions payable to the scheme	**20,668**	**20,668**		19,839	19,839	
- Unfunded Benefits payable to pensioners	**1,901**	**1,901**		1,938	1,938	
Movement on pensions reserve	**(23,964)**	**42,776**	**(66,740)**	(39,767)	44,615	(84,382)

	Greater Manchester	**Teachers' Discretionary**	**Total**	Total

	Pension Fund		Benefits			
	31 March 2021 £000	31 March 2020 £000	**31 March 2021 £000**	31 March 2020 £000	**31 March 2021 £000**	31 March 2020 £000
Fair Value of plan assets	**1,122,457**	892,505		0	**1,122,457**	892,505
Present value of defined benefit obligation	**(1,570,269)**	(1,208,669)	**(17,957)**	(16,623)	**(1,588,226)**	(1,225,292)
Net liability arising from defined benefit obligation	**(447,812)**	(316,164)	**(17,957)**	(16,623)	**(465,769)**	(332,787)

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

Changes in the Fair Value of Plan Assets	Period ended 31 March 2021			Period ended 31 March 2020		
	Net (Liability)/ Assets £000	Assets £000	Obligations £000	Net (Liability)/ Assets £000	Assets £000	Obligations £000
Fair Value of Employer Assets	892,505	892,505	0	961,912	961,912	0
Present value of funded liabilities	(1,199,656)		(1,199,656)	(1,308,123)		(1,308,123)
Present value of unfunded liabilities	(25,636)		(25,636)	(30,442)		(30,442)
Opening position as at 31 March 2020	(332,787)	892,505	(1,225,292)	(376,653)	961,912	(1,338,565)
Service Costs:						
- current service cost*	(37,955)		(37,955)	(46,175)		(46,175)
- past service costs (including curtailments)	(517)		(517)	(5,810)		(5,810)
Total service cost	(38,472)	0	(38,472)	(51,985)	0	(51,985)
Net Interest:						
- interest income on plan assets	20,207	20,207		22,838	22,838	
- interest cost on defined benefit obligation	(28,268)		(28,268)	(32,397)		(32,397)
Total net interest	(8,061)	20,207	(28,268)	(9,559)	22,838	(32,397)
Total defined benefit cost recognised in Profit or (Loss)	(46,533)	20,207	(66,740)	(61,544)	22,838	(84,382)
Cashflows:						
- Contributions from Members		6,778	(6,778)		6,655	(6,655)
- Contributions from Employer	58,535	58,535		2,809	2,809	
- Contributions in respect of unfunded benefits	1,901	1,901		1,938	1,938	
- Benefits paid		(34,106)	34,106		(34,177)	34,177
- Unfunded benefits paid		(1,901)	1,901		(1,938)	1,938
Cashflows	60,436	31,207	29,229	4,747	(24,713)	29,460
Expected closing position	(318,884)	943,919	(1,262,803)	(433,450)	960,037	(1,393,487)
Remeasurements:						
- Changes in demographic assumptions	(7,423)		(7,423)	39,984		39,984
- Changes in financial assumptions	(329,496)		(329,496)	99,767		99,767
- Other experience	11,496		11,496	28,444		28,444
- Return on assets excluding amounts included in net interest	178,538	178,538		(67,532)	(67,532)	
Total Remeasurements recognised in CIES	(146,885)	178,538	(325,423)	100,663	(67,532)	168,195
Fair Value of Employer Assets	1,122,457	1,122,457		892,505	892,505	
Present Value of Funded liabilities	(1,560,744)		(1,560,744)	(1,199,656)		(1,199,656)
Present Value of Unfunded liabilities	(27,482)		(27,482)	(25,636)		(25,636)
Closing Position as at 31 March 2021	(465,769)	1,122,457	(1,588,226)	(332,787)	892,505	(1,225,292)

*The service cost figures include an allowance for administration expenses of 0.3% of payroll.

The net pension liability for the Greater Manchester Pension Fund at 31 March 2021 includes a £9.53m liability in respect of unfunded pension payments (31 March 2020 £9.01m liability).

Employer's contributions to the Greater Manchester Pension Fund for the year ended 31 March 2022 will be approximately £20.45m.

The Council opted to make a three-year advance payment of its employer pension contributions totalling £56.800m on 7 April 2020, covering employer pension contributions for 2020/21, 2021/22 and 2022/23. By paying contributions up front the Council was able to able to secure a saving on anticipated employer contributions for the three years. There was a difference of £1.256m at 31 March 2021 between the actual contributions due and the initial contributions expected for 2020/21. This was due to GMPF at 31 March 2021 and has been allowed for in the actuary's calculations.
In addition, there were £0.361m of contributions due relating to the capital costs of ill health and early retirements due to be paid to GMPF at 31 March 2021.

The advance payment of pension contribution has caused an imbalance between the pensions reserve (£503.636m) and the pensions liability as at 31 March 2021 (£465.769m). This is due to the three-year advance payment being accounted for as a reduction in the pensions liability whereas only one year's contributions has been charged to the general fund. The difference of £37.867m represents the balance of the advance pension contribution yet to be charged in 2021/22 and 2022/23.

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

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

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

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

Basis for Estimating Assets and Liabilities	Assumptions as at 31 March 2021	Assumptions as at 31 March 2020
Longevity at 65 for current pensioners:		
Men	**20.5 years**	20.5 years
Women	**23.3 years**	23.1 years
Longevity at 65 for future pensioners:		
Men	**21.9 years**	22.0 years
Women	**25.3 years**	25.0 years
Financial Assumptions:		
Rate of increase in pensions	**2.9%**	1.9%
Rate of increase in salaries	**3.6%**	2.7%
Rate for discounting scheme liabilities (actual)	**2.0%**	2.3%

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

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

Historic Mortality	Prospective Pensioners	Pensioners
Year ended March 2021	CMI 2018 model assuming long-term rates of improvement of 1.5% p.a.	CMI 2018 model assuming long-term rates of improvement of 1.5% p.a.

Sensitivity Analysis:

Change in Assumptions at 31 March 2021	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	**10%**	**160,384**
0.5% Increase in the Salary increase rate	**1%**	**14,443**
0.5% Increase in the Pension increase rate	**9%**	**142,633**

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

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

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

Fair value of scheme asset	Period ended 31 March 2021				Period ended 31 March 2020			
	Quoted Prices in active markets	Quoted Prices not in active markets	Total	Percentage of Total Assets	Quoted Prices in active markets	Quoted Prices not in active markets	Total	Percentage of Total Assets
	£000	£000	£000	%	£000	£000	£000	%
Equity securities:								
Consumer	98,495		98,495	9%	81,027		81,027	9%
Manufacturing	87,720		87,720	8%	68,552		68,552	8%
Energy and Utilities	54,432		54,432	5%	51,320		51,320	6%
Financial Institutions	117,910		117,910	10%	99,194		99,194	11%
Health and Care	56,101		56,101	5%	40,243		40,243	5%
Information Technology	59,288		59,288	5%	35,799		35,799	4%
Other	18,135		18,135	2%	18,619		18,619	2%
Debt securities:								
Corporate Bonds	54,255		54,255	5%	33,751		33,751	4%
Other	14,581		14,581	1%	28,785		28,785	3%
Private Equity:		66,808	66,808	6%		46,078	46,078	5%
Real Estate:								
UK property		41,940	41,940	4%		37,606	37,606	4%
Investment Funds and Unit Trusts:								
Equities	100,853		100,853	9%	89,555		89,555	10%
Bonds	142,248		142,248	12%	103,052		103,052	11%
Infrastructure		57,220	57,220	5%		43,300	43,300	5%
Other	24,330	106,734	131,064	12%	22,381	79,086	101,467	11%
Derivatives:								
Other	-901		-901	0%			0	0%
Cash and Cash Equivalents:								
All	22,308		22,308	2%	14,157		14,157	2%
Total Assets	849,755	272,702	1,122,457	100%	686,435	206,070	892,505	100%

27. Pooled Budget Arrangements

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

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

Stockport Clinical Commissioning Group (CCG) has entered into a pooled budget arrangement with the Council, who host the pooled budget. The Section 75 agreement allows organisations to vary their contributions to the pool to align with agreed investment proposals. In 2020/21 resources totalling £248.624m were pooled. Whilst the provisions contained within the Section 75 agreement indicate that joint control exists the fund operates through lead commissioner arrangements whereby the nominated lead commissioner enters into legal contract with providers and the non-lead commissioner cedes control over the end-contract. Under lead commissioning arrangements an organisation acting as a lead commissioner accounts for its own transactions without recognising its interest in its share of total assets, liabilities, revenue and expenditure that relate to the whole Fund. Each organisation also accounts for any surplus or deficit relating to its own transactions.

The memorandum below illustrates the contributions by partners and the financial performance by points of delivery (PODS) and the overall performance for the Section 75 Agreement in 2020/21 and 2019/20.

Pooled Budget Statement

2020/21	Prevention £000	Borough-wide £000	Community / Out of Hospital £000	Acute £000	Hospital Discharge Programme £000	Total £000
Funding provided to the Pooled Budget						
Stockport Council	(16,965)	(3,698)	(86,815)		(3,297)	**(110,775)**
Stockport CCG	(147)	(7,657)	(33,969)	(83,001)	(13,075)	**(137,849)**
Total	**(17,112)**	**(11,355)**	**(120,784)**	**(83,001)**	**(16,372)**	**(248,624)**
Expenditure met from the Pooled Budget						
Stockport Council	16,695	4,485	91,294		3,297	**115,771**
Stockport CCG	147	7,656	34,257	83,061	13,075	**138,196**
Total	**16,842**	**12,141**	**125,551**	**83,061**	**16,372**	**253,967**
Net (surplus)/deficit arising from the pooled budget in year	**(270)**	**786**	**4,767**	**60**	**0**	**5,343**
Net (surplus)/deficit split by each partner:						
Stockport Council	(270)	787	4,479			**4,996**
Stockport CCG		(1)	288	60		**347**
Total	**(270)**	**786**	**4,767**	**60**	**0**	**5,343**

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

28. Members' Allowances

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

	2020/21 £000	2019/20 £000
Allowances	**954**	932
Expenses	**0**	2
Total	**954**	934

29. Officer Remuneration

Senior Officer Remuneration for 2020/21 is provided in the table below.

Post Holder		**Salary, Fees & Allowances £**	**Expenses Allowance £**	**Benefits in Kind £**	**Compensation for Loss of Office £**	**Employers Pension Contribution £**
Chief Executive - P.Smith (1)	**2020/21**	**164,444**				
	2019/20	156,637				21,498
Deputy Chief Executive (2)	**2020/21**	**48,458**	**282**			**8,517**
	2019/20	139,616	846			25,550
Executive Director, Adult Social Care and Health (3)	**2020/21**	**53,829**	**175**		**147,287**	**239,636**
	2019/20					
Deputy Chief Executive (Corporate Director, Services to Place) (4)	**2020/21**	**149,819**				**27,417**
	2019/20	134,266				24,571
Deputy Chief Executive (Corporate Director, Corporate and Support Services) (5)	**2020/21**	**129,714**		**768**		**22,323**
	2019/20	111,707		7,456		19,493
Director of Adult Social Care (6)	**2020/21**	**109,065**	**1,102**			**19,959**
	2019/20	100,390	1,102			18,371
Director of Children's Services (7)	**2020/21**	**127,489**		**4,799**		**22,284**
	2019/20	124,398	161	5,717		21,893
Chief Education Officer (7)	**2020/21**	**96,692**				
	2019/20	58,659				
Director of Public Health (8)	**2020/21**	**86,174**				**15,770**
	2019/20	20,374				3,728
Head of Legal and Democratic Governance (9)	**2020/21**	**96,968**		**1,026**		**15,772**
	2019/20	92,942				

Note	Notes to the Senior Officer Remuneration Table
1	The Chief Executive holds the statutory roles of Head of Paid Service and Council Returning Officer
2	The post of Deputy Chief Executive was deleted with voluntary redundancy in line with Council policy and relevant regulations. The Deputy Chief Executive postholder became the Executive Director, Adult Social Care and Health with effect from 01 August 2020.
3	The Executive Director, Adult Social Care and Health retired on 15 October 2020 and salary includes payment for untaken holiday leave due at the leaving date. Employer pension contribution includes capital costs for early access to pension following redundancy.
4	The Corporate Director, Services to Place, was appointed the Deputy Chief Executive with effect from 01 August 2020.
5	The statutory role of Section 151 Officer is carried out by the Deputy Chief Executive (Corporate Director, Corporate and Support Services). The Corporate Director, Corporate and Support Services was appointed to the role of Deputy Chief Executive with effect from 01 August 2020. In the comparative year (2019/20), the Corporate Director, Corporate and Support Services was appointed with effect from 01 November 2019 having previously held the role of Borough Treasurer.
6	The Director of Adult Social Care is a statutory role of the Council
7	The Chief Education Officer was appointed on 01 September 2019 and the Director of Children's Services carried out the statutory role of Chief Education Officer until 31 August 2019. The Director of Children's Services is a statutory role of the Council
8	The Director of Public Health is a statutory role of the Council and was previously the Acting Director of Public Health but made permanent with effect from 01 September 2020. In the comparative year (2019/20), the Director of Public Health left the Council on 31 October 2019 and was replaced by the Acting Director of Public Health from 01 November 2019.
9	The statutory role of Monitoring Officer is carried out by the Head of Legal and Democratic Governance.

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

	2020/21				
	Number of employees who received redundancy or other related payments		Number of employees who did not receive redundancy or other related payments		
Remuneration Band	**Schools**	**Other Services**	**Schools**	**Other Services**	**Total**
£50,000 to £54,999*	**1**		**60**	**53**	**114**
£55,000 to £59,999			**39**	**15**	**54**
£60,000 to £64,999			**21**	**18**	**39**
£65,000 to £69,999	**1**		**28**	**15**	**44**
£70,000 to £74,999			**16**	**6**	**22**
£75,000 to £79,999			**2**	**4**	**6**
£80,000 to £84,999			**5**	**1**	**6**
£85,000 to £89,999			**3**		**3**
£90,000 to £94,999			**1**	**2**	**3**
£95,000 to £99,999	**1**				**1**
£100,000 to £104,999				**2**	**2**
£105,000 to £109,999			**1**	**1**	**2**
£110,000 to £114,999					**0**
£115,000 to £119,999			**1**	**1**	**2**
£120,000 to £124,999			**1**		**1**
£125,000 to £129,999					**0**
£130,000 to £134,999					**0**
£135,000 to £139,999				**1**	**1**
Total	**3**	**0**	**178**	**119**	**300**

*The pay award, which took effect from 01 April 2020, pushed the top band of grade M-Band 3s above £50,000, which explains the increase in numbers seen in 2020/21.

Remuneration Band	2019/20				
	Number of employees who received redundancy or other related payments		Number of employees who did not receive redundancy or other related payments		
	Schools	Other Services	Schools	Other Services	Total
£50,000 to £54,999		1	57	27	85
£55,000 to £59,999	1	1	31	17	50
£60,000 to £64,999		5	22	19	46
£65,000 to £69,999		2	22	7	31
£70,000 to £74,999			15	5	20
£75,000 to £79,999		1	2	1	4
£80,000 to £84,999			3		3
£85,000 to £89,999		1		1	2
£90,000 to £94,999		1			1
£95,000 to £99,999			2	2	4
£100,000 to £104,999		1	1	1	3
£105,000 to £109,999			1		1
£110,000 to £114,999					0
£115,000 to £119,999		1	2		3
£120,000 to £124,999					0
£125,000 to £129,999					0
£130,000 to £134,999					0
£135,000 to £139,999		0		1	1
£140,000 to £144,999					0
£145,000 to £149,999					0
£150,000 to £154,999					0
£155,000 to £159,999					0
£160,000 to £164,999					0
£165,000 to £169,999					0
£170,000 to £174,999					0
£175,000 to £179,999					0
£180,000 to £184,999					0
£185,000 to £189,999					0
£190,000 to £194,999		1			1
Total	1	15	158	81	255

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

Exit Package Cost Band	**Number of Compulsory Redundancies**	**Number of Other Departures Agreed**	**Total Number of Exit Packages by Cost Band**	**Total Cost of Exit Packages in Each Band**		
	2020/21	**2020/21**	**2020/21**	**Redundancy 2020/21 £000**	**Capital 2020/21 £000**	**Total 2020/21 £000**
£0 to £20,000		**6**	**6**	**45**	**0**	**45**
£20,001 to £40,000		**4**	**4**	**111**	**8**	**119**
£40,001 to £60,000		**1**	**1**	**21**	**27**	**48**
£60,001 to £80,000						**0**
£80,001 to £100,000		**1**	**1**	**35**	**57**	**92**
£100,001 to £150,000						**0**
£150,001 to £200,000						**0**
£200,001 to £250,000						**0**
£250,001 to £300,000						**0**
£300,001 to £350,001						**0**
£350,001 to £400,000		**1**	**1**	**147**	**233**	**380**
Total	**0**	**13**	**13**	**359**	**325**	**684**

Exit Package Cost Band	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in Each Band		
	2019/20 Restated	2019/20 Restated	2019/20 Restated	Redundancy 2019/20 Restated £000	Capital 2019/20 Restated £000	Total 2019/20 Restated £000
£0 to £20,000	23	21	44	240	42	282
£20,001 to £40,000		13	13	270	72	342
£40,001 to £60,000		7	7	185	161	346
£60,001 to £80,000		5	5	161	156	317
£80,001 to £100,000		4	4	117	241	358
£100,001 to £150,000		2	2	136	92	228
£150,001 to £200,000		2	2	90	233	323
£200,001 to £250,000		1	1	45	162	207
Total	23	55	78	1,244	1,159	2,403

* 2019/20 figures have been updated to reflect information received after the 2019/20 accounts were finalised.

30. External Audit Costs

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

	2020/21 £000	2019/20 £000
Fees payable to Mazars LLP with regard to external audit services carried out by the appointed auditor	**123**	121
Fees payable to Mazars LLP with regard to other services		8
	123	129

31. Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2020/21 are as follows:

	Central Expenditure £000	**Individual Schools Budget £000**	**Total £000**
Final DSG for 2020/21 before academy and high needs recoupment			**237,593**
Academy and high needs figure recouped for 2020/21			**(49,613)**
Total DSG after academy and high needs recoupment for 2020/21			**187,980**
Plus: Brought Forward from 2019/20			**(1,302)**
Less: Carry-forward to 2021/22 agreed in advance			**(1,302)**
Agreed initial budgeted distribution in 2020/21	53,651	184,182	**237,833**
In year adjustments	(803)	(49,050)	**(49,853)**
Final Budgeted distribution for 2020/21	**52,848**	**135,132**	**187,980**
Less Actual central expenditure	54,783		
Less Actual ISB deployed to schools		135,132	

Plus Local Authority contribution for 2020/21			
Carry-forward to 2021/22	**(1,935)**	**0**	**(3,237)**

32. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21:

	2020/21 Credited to taxation and non-specific grant income £000	2020/21 Credited to services £000	2019/20 Credited to taxation and non-specific grant income £000	2019/20 Credited to services £000
<u>Capital</u>				
Capital Grants:				
Department for Education capital programme (including DFC and Schools Condition Allocation)	**(5,340)**	**(92)**	(12,302)	(195)
GM Mayor's Cycling and Walking Challenge Fund	**(4,501)**		(1,026)	
Highways Stockport Town Centre Access Plan	**(3,895)**		(6,732)	
Department for Transport Highways capital programme - other grants	**(7,784)**		(7,494)	
Poynton Relief Road (Cheshire East)	**(2,973)**			
Transport for Greater Manchester A6 to Manchester Airport Relief Road	**(1,290)**		(4,138)	
Greater Manchester Local Full Fibre Network		**(868)**		
Housing HRA - HCA funding	**(655)**			
Housing HRA - European grant funding	**(866)**		(144)	
Housing - Disabled Facilities Grant	**(167)**	**(907)**	(573)	(2,016)
Other government grants	**(584)**	**(138)**	(275)	
Capital Contributions:				
Developer and other highways contributions	**(833)**		(1,179)	
Other contributions	**(1,472)**	**(59)**	(1,682)	(21)
	(30,360)	**(2,064)**	(35,545)	(2,232)
<u>Revenue</u>				
Dedicated Schools Grant (DSG)		**(187,735)**		(181,270)
Pupil Premium Grant		**(8,729)**		(8,952)
Other Education and Schools Grants		**(14,347)**		(10,348)
<u>Subsidy grants for benefits payments:</u>				
Rent Allowances		**(32,583)**		(34,625)
Rent Rebates		**(21,590)**		(23,491)
Benefit Administration		**(1,093)**		(1,025)
Other Benefit Grants		**(682)**		(641)
<u>Other Government Grants:</u>				
Adult Social Care Winter Funding		**(1,283)**		(1,283)
New Homes Bonus Grant	**(1,390)**		(1,792)	
Grants in lieu of Business Rates - S31 Covid-19 Extended Reliefs	**(41,508)**			
Grants in lieu of Business Rates - other	**(13,358)**		(12,586)	
Covid-19 Grants*	**(21,301)**	**(20,852)**	(8,276)	
Improved Better Care Fund	**(6,330)**	**(1,812)**	(6,333)	(1,810)
Adult Social Care	**(7,015)**		(2,192)	
Independent Living Fund		**(922)**		(922)
Troubled Families		**(835)**		(674)
Apprenticeship Grant		**(678)**		(589)
EU Exit Grant			(210)	
Other Grants		**(7,942)**		(9,649)
<u>Contributions:</u>				
Stockport CCG - Adults Social Care (Pooled)		**(32,041)**		(23,317)
Hospital Discharge Programme		**(3,297)**		0
Regional Adoption Agency LA contributions		**(3,970)**		(3,918)
GMCA - Return of Business Rate 100% Pilot Benefit	**(1,307)**			
Stockport CCG to Children's Social Care		**(632)**		(965)

Total Revenue Grants & Contributions	**(92,209)**	**(341,023)**	(31,389)	(303,479)
Total Grants & Contributions	**(122,569)**	**(343,087)**	(66,934)	(305,711)

***Covid-19 Grants**

The Council received a number of Covid-19 related grants during 2020/21 to support the local authority, businesses and residents during the pandemic. These included mandatory payments that were passed on directly to support local businesses during the restrictions. These transactions are treated as an agency arrangement and therefore are not included in the Comprehensive Income and Expenditure Statement figures but are disclosed in the table below alongside the other grants recognised in the accounts.

Grant description (including Funding Body)	**Credited to taxation & non-specific grant income £000**	**Credited to services £000**	**Balance C/Fwd as Receipt in Advance £000**	**Agent (not included in CIES) £000**
Ministry for Housing, Communities and Local Government (MHCLG):				
Covid-19 LA Support Grant	14,115			
Sales Fees and Charges Support Grant	2,232			
Surge Enforcement Grant		147		
Rough Sleeping LAs		8		
Clinically Extremely Vulnerable Support	859			
Council Tax Hardship	2,446	17		
Tax Income Guarantee	657			
MHCLG/European Regional Development Fund:				
Opening High Streets Grant		118		
Department for Business, Energy & Industrial Strategy:				
Business Support Grants - Mandatory				62,180
Business Support Grants - Discretionary		3,226		
Local Restrictions Support Grants - Mandatory			11,407	23,848
Local Restrictions Support Grants - Discretionary		2,033		
Additional Restrictions Grant		8,815		
Department for Environment, Food and Rural Affairs:				
Emergency Assistance Grant	322			
Department of Health and Social Care:				
Rapid Testing Grant		193	26	552
Workforce Capacity Funding		642		
Contain Outbreak Management Fund		1,832	6,970	
Test and Trace service support		272	1,202	
Infection Control Fund		1,623		4,372
Test and Trace support payments - Mandatory			87	228
Test and Trace support payments - Discretionary		271		
Department for Work and Pensions:				
Winter Package Grant		1,163	6	
Sport England:				
Leisure Support Funding		492		
Others:				
Various new burdens admin grants	670			
Total Covid-19 Grants	**21,301**	**20,852**	**19,698**	**91,180**

Analysis of Grants Receipts in Advance

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

	2020/21 £000	2019/20 £000
Revenue Grants & Contributions Receipts in Advance		
Covid-19 related grants	**(19,698)**	
Housing Benefit	**(3,264)**	
Adult & Community Learning	**(750)**	(558)
Regional Adoption Agency contributions	**(696)**	
Family Drug and Alcohol Courts (FDAC)	**(670)**	(767)
School Intervention	**(620)**	(358)
Community Champions	**(617)**	0
Regional Improvement Alliance	**(479)**	(479)
Not in Education, Employment or Training (NEET)	**(295)**	(369)
Partners In Practice	**(207)**	(207)
Education Development Grant	**(167)**	
Controlling Migration	**(136)**	(136)
Salford - New Economy	**(136)**	(67)
Troubled Families Grant	**(113)**	(226)
Town Centre Deal Cheadle	**(65)**	(140)
Business Rates		(13,358)
Other grants	**(431)**	(838)
	(28,344)	(17,503)

	2020/21 £000	2019/20 £000
Capital Grants Receipts in Advance		
MHCLG	**(7,833)**	(3,295)
Department for Education	**(2,999)**	(3,223)
Department for Transport	**(3,720)**	(1,027)
Other government grants	**(85)**	(140)
	(14,637)	(7,685)

33. Transactions with Related Parties

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

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

Members of the Council have direct control over the Council's financial and operating policies. Details of Members' interests, both pecuniary and non-financial are recorded in the Register of Members' Interests, which is open to public inspection. Members' interests are also available to view via the Council's web site. The total of members' allowances paid in 2020/21 is shown in Note 28.

The Council's Constitution sets out procedures for the declaration of Members' interests, and those of their close family members, at Council meetings and for the withdrawal of Members from meetings, if it is deemed that there is a conflict of interest. Several Members are trustees, employees and Council representatives of various charitable and similar voluntary organisations that receive financial and other support from the Council. During the year, there were no material transactions paid by Council to organisations in which Members had either a voluntary interest or held a stewardship role.

Corporate Directors and Service Directors are required on an annual basis to make a declaration of related parties. In addition, there is a code of conduct under which such officers must disclose any pecuniary and non-financial interests. No such disclosures have been made for 2020/21.

The Deputy Chief Executive (Section 151 Officer) holds the following key management position with an external organisation, Interim Chief Finance Officer for Stockport CCG and is also Employer Representative for Greater Manchester Pension Fund.

Other material related party transactions

Borough Care Ltd is a not-for-profit residential care provider for the Council. They operate 11 care homes across Stockport and are a significant supplier of care services for the Council, providing circa 20% of the residential care capacity within the Borough. During 2020/21 Borough Care Ltd set up a subsidiary company, Life in Colour Ltd, through which it manages its contracts with the Council.

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

Payments to related parties	2020/21 £000	2019/20 £000
Borough Care	**2,874**	8,187
Life in Colour	**9,488**	
Life Leisure (Stockport Sports Trust)	**2,850**	1,755

Payments from related parties	2020/21 £000	2019/20 £000
Borough Care	**546**	120
Life Leisure (Stockport Sports Trust)	**84**	147

Amounts due to SMBC at 31 March	2020/21 £000	2019/20 £000
Borough Care	**23**	35
Life Leisure (Stockport Sports Trust)	**112**	69

Amounts owed to related parties at 31 March	2020/21 £000	2019/20 £000
Borough Care		332
Life in Colour	**151**	
Life Leisure (Stockport Sports Trust)	**682**	168

Related Party Transactions with Other Public Bodies

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

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

	2020/21 £000	2019/20 £000
Stockport NHS Foundation Trust		
Community /Acute contract	**1,222**	1,200
Health Visitors	**4,421**	4,200
Older Peoples Service - Home based community contracts	**2,128**	2,128
Pennine Care NHS Foundation Trust		
Drug and Alcohol Service	**1,220**	1,200
Learning Disabilities Contract	**1,016**	1,063
Central Manchester University Hospitals NHS Foundation Trust		
Sexual Health Contract	**1,484**	1,500

Greater Manchester Combined Authority

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

	2020/21 £000	2019/20 £000
Greater Manchester Combined Authority		
Transport Levy	**10,973**	19,495
Transport Statutory Charge	**8,994**	
Waste Disposal Levy	**20,694**	21,111

Regional Adoption Agency

From 3 July 2017, adoption services in Stockport, Manchester, Trafford, Salford and Cheshire East local authorities are being delivered through an integrated service called Adoption Counts. This is a Regional Adoption Agency as set out in the Education and Adoption Act 2016. Stockport Council is the host of this joint service and is responsible for the finances. The budget for this service in 2020/21 was £4.436m (2019/20 £4.179m).

Environment Agency

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

- Environmental Agency - 2020/21 £0.181m (2019/20 - £0.178m)

Other related parties disclosed elsewhere in the Statement of Accounts

Pension funds are disclosed in other notes to the Financial Statements and in Note 26 Pension schemes.

The Council prepares Group Accounts for entities where it has material financial interests and a significant level of control. The Stockport Council Group comprises Stockport Homes Ltd, Totally Local Company Ltd, Stockport Exchange Phase 2 Ltd, Stockport Exchange Phase 3 Ltd, Stockport Hotel Management Company Ltd and the Stockport Mayoral Development Corporation. More information can be found at The Group Accounts section to the Statement of Accounts.

34. Capital Expenditure and Financing

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

	2020/21 £000	2019/20 £000
Opening Capital Finance Requirement	**747,309**	708,285
Capital Investment		
Property, Plant & Equipment	**69,616**	69,417
Investment Assets	**1,873**	3,868
Heritage Assets	**13**	20
Assets Held for Sale	**45**	21
Intangible assets		420
Revenue Expenditure funded from capital under statute	**2,811**	2,245
Loans treated as capital expenditure	**37,975**	21,862
Share Capital	**3,740**	1,870
	116,073	99,723
Sources of Finance		
Government grants received or receivable	**(32,676)**	(28,141)
Capital receipts	**(1,352)**	(2,391)
External contributions	**(834)**	(3,372)
Direct Revenue Contributions	**(15,306)**	(11,904)
Minimum Revenue Provision (MRP)	**(15,216)**	(14,891)
	(65,384)	(60,699)
Closing Capital Financing Requirement	**797,998**	747,309
Increase/(decrease) in Capital Financing Requirement relating to borrowing	**50,689**	39,024

35. Leases

Stockport Exchange Leases

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

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

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

Council as Lessee

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

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

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

	Operating Lease £000	**Finance Lease £000**	**2020/21 Total £000**	Operating Lease £000	Finance Lease £000	2019/20 Total £000
Land & Buildings	**932**	**997**	**1,929**	1,160	968	2,128
Plant, equipment & vehicles				19		19
	932	**997**	**1,929**	1,179	968	2,147

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

Finance Leases

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments made on finance leases are shown in the table below:

	31 March 2021 £000	31 March 2020 £000
Not later than one year	**(1,027)**	(997)
Later than 1 year and not later than 5 years	**(4,427)**	(4,298)
Over five years	**(38,385)**	(39,541)
Total minimum lease payments	**(43,839)**	(44,836)
Finance costs payable in future years	**30,139**	31,136
Finance lease liability	**(13,700)**	(13,700)

Outstanding obligations to make payments under the finance leases (excluding costs) at 31 March 2021 are as follows:

	31 March 2021 £000	31 March 2020 £000
Not later than one year		
Later than 1 year and not later than 5 years		
Over five years	**(13,700)**	(13,700)
	(13,700)	(13,700)

<u>Operating Leases</u>

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

	31 March 2021 £000	31 March 2020 £000
Not later than one year	**958**	908
Later than 1 year and not later than 5 years	**3,001**	2,931
Over five years	**19,932**	20,925
	23,891	24,764

Council as Lessor

<u>Finance lease</u>

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

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

	31 March 2021 £000	31 March 2020 £000
Not later than one year	**1,244**	1,207
Later than 1 year and not later than 5 years	**5,359**	5,203
Over five years	**46,469**	47,869
Total minimum lease payments	**53,072**	54,279
Unearned finance income	**(39,372)**	(40,579)
Finance lease asset	**13,700**	13,700

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

	31 March 2021 £000	31 March 2020 £000
Not later than one year Later than 1 year and not later than 5 years Over five years	 **13,700**	 13,700
	13,700	13,700

Operating Leases

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

The table below shows future years minimum lease payments receivable:

	31 March 2021 £000	31 March 2020 £000
Not later than one year	**(10,635)**	(11,916)
Later than 1 year and not later than 5 years	**(35,253)**	(36,804)
Over five years	**(240,779)**	(251,729)
	(286,667)	(300,449)

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2020/21 £12.418m rents were receivable by the Council (2019/20 £12.394m).

	Property, Plant and Equipment **£000**	Investment Properties **£000**	**Total £000**
Cost or Valuation			
Opening balance at 1 April 2020	18,779	144,365	**163,144**
Changes due to expiry/new leases		12,020	**12,020**
	18,779	156,385	**175,164**
Additions/Transfers	367	17,288	**17,655**
Retirements		(492)	**(492)**
Revaluations/Impairments	(437)	(6,661)	**(7,098)**
At 31 March 2021	**18,709**	**166,520**	**185,229**
Accumulated Depreciation/ Amortisation and Impairment			
Opening balance at 1 April 2020	(512)		**(512)**
Depreciation	(294)		**(294)**
Revaluations/Impairments	217		**217**
At 31 March 2021	**(589)**		**(589)**
Net book Value at 31 March 2021	**18,120**	**166,520**	**184,640**
Net book Value at 1 April 2020	18,267	144,365	162,632

36. Investments

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

	31 March 2021 £	31 March 2020 £
Manchester Airport PLC	**32,000,002**	30,200,002
Manchester Airport Car Parking Ltd	**5,700,000**	1,870,000
Stockport Homes Ltd	**0**	0
Totally Local Company Ltd	**2**	2
Stockport Exchange Phase 2 Ltd	**1**	1
Stockport Exchange Phase 3 Ltd	**1**	
Stockport Hotel Management Company Ltd	**100,000**	100,000
Total Long-Term Investments	**37,800,006**	32,170,005

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

Due to the COVID19 pandemic there have been no dividend payments received from Manchester Airport during 2020/21 (total dividend payments of £6.429m were received during 2019/20, £4.129m of which related to the Airport's 2018/19 results and an interim dividend of £2.300m for 2019/20).

Manchester Airport Car Parking Ltd
As part of the Manchester Airport transformation project, the Council alongside the other Greater Manchester Authority shareholders in the Manchester Airport Group, agreed to provide £5.610m equity investment during 2019/20 and 2020/21 to fund the development of a new car multi-storey car park at the Airport. The fair value of the investment has been estimated to be £5.700m as at the balance sheet date.

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

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

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

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

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

The company is accounted for at historic cost (£1). The company is now dormant.

Stockport Exchange Phase 3 Ltd
Stockport Exchange Phase 3 Ltd was set up to undertake the Stockport Exchange No 2 Office Development, which completed in 2020/21. The company was acquired on 15 May 2020 and became a wholly owned subsidiary of the Council. Further details are set out in Note 4.

The company is accounted for at historic cost (£1).

Stockport Hotel Management Company Ltd
On 19 September 2016, the Council incorporated Stockport Hotel Management Company Ltd as the trading company for the Hotel appointing two Council Officers as Directors. This is a wholly owned company of the Council and the Council has provided £0.100m of share capital. A dividend payment of £0.141m was received by the Council in 2019/20 relating to the company's 2018 results. The company did not declare a dividend for its 2019 results.

Stockport Mayoral Development Corporation
In March 2019, GMCA agreed to create the Stockport Mayoral Development Corporation (MDC) to lead the regeneration of Town Centre West. The MDC is a 'body corporate', which is run by a board appointed by the Greater Manchester Mayor in consultation with Stockport Council.

37. Accounting Standards issued but not yet adopted

The Code requires the Council to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code. The following are new standards and amendments to existing standards that have been issued with an effective date of 1 January 2021 and will be formally adopted by the 2021/22 Code.

- Definition of a Business: Amendments to IFRS 3 Business Combinations

  The amendments to IFRS3 have been made to help entities determine whether an acquired set of activities and assets is a business or not, by clarifying the minimum requirements to be a business, removing the assessment of a market participant's ability to replace missing elements, and narrowing the definition of outputs. This is not expected to impact on the Council's Statement of Accounts.

- Interest Rate Benchmark Reform (amendments to IFRS9, IAS39 and IFRS7) and Interest Rate Benchmark Reform – Phase 2 amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS16.

  Interest Rate Benchmark Reform is the replacement of benchmark interest rates such as LIBOR following the financing crisis. The first phase of the amendments has been made to provide temporary relief from applying specific hedge accounting requirements to hedge transactions impacted by the change. Phase two amendments provide specific guidance on how to treat financial assets and financial liabilities where the basis for determining the contractual cashflows changes as a result of the reform. The Council does not have such hedge accounting transactions so there is no expected impact on the Council's Statement of Accounts.

38. Accounting Policies

a. General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 20/21 (the Code), supported by International Financial Reporting Standards (IFRS).

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

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

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

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

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

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

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

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

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

- Going Concern: the accounts have been prepared on the assumption that the Council's functions and services will continue in operational existence for the foreseeable future.

- Primacy of Legislation Requirements: in accordance with the Code, where an accounting treatment is prescribed by law then it has been applied, even if it contradicts accounting standards. The following legislative accounting requirements have been applied when compiling these accounts:

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

Conventions

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

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

b. Accruals of Income and Expenditure

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

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

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

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

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

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

c. Acquisitions and Discontinued Operations

Acquired operations

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

d. Cash and Cash Equivalents

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

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

e. Council Tax and Business Rates

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

Accounting for Council Tax and Business Rates

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

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

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

Accounting for Business Improvement District

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

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

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

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

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

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

g. Charges to Revenue for Non-Current Assets

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

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

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

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

h. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-Employment Benefits

Employees of the Council are members of three separate pension schemes:

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

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

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

The Local Government Pension Scheme

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

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

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

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

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

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

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

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

Discretionary Benefits

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

i. Events After the Balance Sheet Date

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

Two types of events can be identified:

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

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

j. Fair Value Measurement

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

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

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

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

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

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

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

k. Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets
Financial assets are classified into three types:

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

Financial Assets Measured at Amortised Cost

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

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

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

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

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

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

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

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

The Council has made irrevocable elections to designate the assets as FVOCI on the basis that they are held for non-contractual benefits, they are not held for trading but for strategic purposes.

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

Expected Credit Loss Model

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

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

l. Heritage Assets

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

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

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

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

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

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

m. Government Grants and Contributions

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

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

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

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

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

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

n. Intangible Assets

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

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

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

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

o. Interests in Companies and Other Entities

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

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

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

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

p. Investment Property

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

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

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

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

q. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

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

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

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

Lease rentals receivable are apportioned between:

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

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

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

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

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

r. Material Items of Income and Expenditure

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

s. Overheads and Support Services

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

t. Property, Plant and Equipment

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

Recognition

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

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

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

Measurement
Assets are initially measured at cost, comprising:

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost;
- council dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment
Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Depreciation
Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the bases set out in the Property, Plant and Equipment note to the Financial Statements. Where material, buildings (non-council dwellings) which have been revalued from 1 April 2010 have been valued on an average asset life basis, which averages typical costs of components of buildings over maximum life expectancy for these components. Depreciation is calculated on these average lives which range from 30 to 40 years, compared to the normal life expectancy of buildings of 40 years. Components of council dwellings whose cost is significant in relation to the total cost of the dwellings are depreciated separately.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government.

The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

u. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

v. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation and retirement and employee benefits and do not represent usable resources for the Council – these reserves are further explained in the relevant policies.

Internal Insurance Funds
The Council operates two main self-insurance funds, set up to meet potential future claims and claims agreed in principal but yet to be settled.

The funds have been split between provisions, reflecting claims which are certain or very likely to occur and reserves, for unknown future claims.

w. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset and has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

x. Revenue Recognition

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

Where the Council is acting as Agent of another organisation, the amounts collected on behalf of that organisation are excluded from the Council's revenue.

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

y. Schools

The Code confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the Council. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the Council Statement of Accounts (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

z. Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Housing Revenue Account

HRA INCOME AND EXPENDITURE STATEMENT	**2020/21 £000**	2019/20 £000	Note
INCOME			
Dwelling rents	**(43,358)**	(42,166)	
Other rents	**(5)**	(5)	
Charges for services and facilities	**(9,648)**	(9,828)	11
Contributions towards expenditure	**(1,780)**	(1,706)	
Total Income	**(54,791)**	(53,705)	
EXPENDITURE			
Repairs and maintenance	**14,551**	14,046	
Supervision and management	**16,996**	15,799	
Rents, rates, taxes and other charges	**5,413**	5,683	11
Depreciation of non-current assets	**12,344**	11,903	7
Revaluation (gains) of non-current assets	**(293)**	(2,854)	10
Debt management costs	**49**	46	
Total expenditure	**49,060**	44,623	
Net Income of HRA Services per Council Comprehensive Income and Expenditure Statement	**(5,731)**	(9,082)	
HRA services share of Corporate and Democratic Core	**128**	128	
Net Income for HRA Services	**(5,603)**	(8,954)	
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(Gain) on the sale of HRA non-current assets	**(1,450)**	(1,136)	
Interest payable and similar charges	**6,102**	6,099	6
Interest and investment income	**(316)**	(336)	
Change in fair value of investment properties	**(5,266)**		
Capital grants and contributions receivable	**(1,531)**	(144)	
(SURPLUS) FOR THE YEAR ON HRA SERVICES	**(8,064)**	(4,471)	

MOVEMENT ON THE HRA STATEMENT	**2020/21 £000**	2019/20 £000	Note
(Surplus) for the year on the HRA Income and Expenditure Account	**(8,064)**	(4,471)	

Adjustments between accounting basis and funding basis under statute	**8,480**	4,040	1
Net decrease/(increase) before transfers to reserves	**416**	(431)	
Transfer to/(from) earmarked reserves	**266**	5	
Decrease/ (Increase) in the Housing Revenue Account Balance	**682**	(426)	
Housing Revenue Account Surplus brought forward	**(2,123)**	(1,697)	
Housing Revenue Account Surplus carried forward	**(1,441)**	(2,123)	

Notes to the Housing Revenue Account

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement. Statutory disclosures comply with the Housing Revenue Account (Accounting Practices) Directions 2016.

The Council utilises an Arms-Length Management Organisation “Stockport Homes Ltd” to manage the housing stock on its behalf.

1. Adjustments between Accounting Basis and Funding Basis Under Statute

	2020/21 £000	2019/20 £000
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
Gain on sale of HRA assets	**1,450**	1,136
Change in fair value of investment assets	**5,266**	
Depreciation on non-current assets	**(12,344)**	(11,903)
Revaluation gains on HRA assets	**293**	2,854
Capital grants and contributions	**1,531**	144
Net charges made for retirement benefits in accordance with IAS 19	**(60)**	(95)
	(3,864)	(7,864)
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
Transfer to/(from) Major Repairs Reserve	**12,344**	11,903
Capital Expenditure funded from the HRA		1
	12,344	11,904
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	**8,480**	4,040

2. Housing Stock Numbers and Valuation

	Numbers at 31 March 2021	Numbers at 31 March 2020
HOUSING STOCK		
Houses	**4,698**	4,738
Flats	**5,836**	5,863
Bungalows	**521**	521
Total Housing Stock	**11,055**	11,122

	Valuation at 31 March 2021 £000	Valuation at 1 April 2020 £000
Operational assets:		
Housing Stock Valuation	**428,511**	350,586
Land Valuation	**110,078**	90,485
	538,589	441,071
Other land and buildings	**344**	301
Other plant and equipment	**7,745**	7,816
Investment assets	**12,785**	7,519
Assets under construction	**3,865**	10,433
Council dwellings held for sale	**260**	
	563,588	467,140

Valuation of operational property is net of depreciation. Housing stock and land valuations are included together as Council Dwellings on the Balance Sheet. The method of valuation is set out in the accounting policies and in Note 11 to the Statement of Accounts.

3. Vacant Possession Value

The vacant possession value as at 31 March 2021 was £1,337.8m (£1,090.0m as at 1 April 2020). The vacant possession value is an opinion of the best sale price that could have been obtained for the property on the date of the valuation. The balance sheet valuation contains an adjustment to reflect the fact that council dwellings have sitting tenants enjoying sub-market rents and rights including right to buy. The adjustment factor measures the difference between market and sub-market rents at a regional level and is set out in the “Stock Valuation for Resource Accounting – Guidance for valuers 2016” as adjusted for the Council’s particular mix of tenures.

4. Capital Expenditure and Financing

Capital expenditure in the year amounted to £21.308m on council dwellings including spend in assets under construction. This was financed as follows:

	2020/21 **£000**	2019/20 £000
Borrowing	**6,452**	7,754
Grants and contributions	**1,531**	144
Revenue Contribution to Capital Outlay		1
Major Repairs Reserve	**12,344**	11,903
Capital Receipts	**981**	1,770
	21,308	21,572

5. Capital Receipts

	Receipts **2020/21** **£000**	Receipts 2019/20 £000
Disposal of dwellings under Right to Buy	**3,911**	3,987
Disposal of shared ownership properties	**385**	202
Other disposals	**14**	63
Deductions from capital receipts	**(62)**	(82)
Net capital receipts before pooling	**4,248**	4,170
Due to Housing Pool	**(2,296)**	(2,315)
	1,952	1,855

6. Interest payable and similar charges

	2020/21 **£000**	2019/20 £000
Interest charge under self-financing regime	**4,747**	4,746
Interest on prudential borrowing	**1,125**	952
Impairment allowance for doubtful debts	**230**	401
	6,102	6,099

7. Depreciation

The HRA is charged an amount for depreciation of assets.

	2020/21 **£000**	2019/20 £000
Operational assets		
Council dwellings	**11,878**	11,450
Other land and buildings	**6**	6
Plant and equipment (solar panels)	**460**	447
	12,344	11,903

8. Rent Arrears

As at 31 March 2021 rent arrears (excluding amounts collectable on behalf of other agencies) amounted to £3.136m (£3.308m at 31 March 2020). The aggregate balance sheet allowance in respect of all uncollectable debts amounted to £1.795m (£1.817m at 31 March 2020).

The reduction in allowance of £0.022m has been netted off the debts written off in the year of £0.252m to arrive at the impairment loss of £0.230m.

9. IAS 19 Employee Benefits

The Housing Revenue Account recognises, within Net Cost of Services, a share of the full IAS 19 costs borne by the Council for defined benefit pension schemes. These costs, comprising current service costs, have been allocated via corporate recharges. To ensure that the costs have no impact on the net deficit or on the level of rents, the charges are reversed out of the Housing Revenue Account via an appropriation from the Statement of Movement on the HRA balance.

10. Revaluation Gain of non-current assets

The revaluation gain on non-current assets calculated under proper practices is £0.293m (2019/20 revaluation gain of £2.854m), all of which relates to council dwellings (including land). This gain reverses previous revaluation losses and in addition there has been a revaluation gain posted to the revaluation reserve of £84.715m (£84.685m council dwellings and £0.030m other land and buildings). The gain has arisen due to an increase in the HM Land Registry indices of 11.7% over 2019/20 offset by investment in council dwellings which has not resulted in a £ for £ increase in value. Council dwellings have been subject to a full revaluation in 2020/21 giving rise to a further gains from re-aligning the portfolio to current market prices.

11. Water Charges Collection

Since 2009/10 the Council has been responsible for collecting water charges from HRA tenants on behalf of United Utilities and Tenants' agreements were amended accordingly. The income and expenditure are included in charges for services and facilities and rents, rates, taxes and other charges respectively. They include commission due from United Utilities to cover the costs of collection. The surplus relating to the collection of water charges of £0.172m is held within overall HRA balance.

	2020/21 £000	2019/20 £000
Income		
Other	**(5,162)**	(5,100)
Water	**(4,486)**	(4,728)
Charges for services & facilities	**(9,648)**	(9,828)
Expenditure		
Other	**927**	955
Water	**4,486**	4,728
Rents, rates, taxes & other charges	**5,413**	5,683
Water charges surplus	**0**	0

Water surplus brought forward	**(172)**	(172)
Water surplus carried forward	**(172)**	(172)

Collection Fund Statement

	2020/21 COUNCIL TAX £000	2020/21 NDR £000	2020/21 TOTAL £000	2019/20 COUNCIL TAX £000	2019/20 NDR	2019/20 TOTAL £000
INCOME						
Council Tax	**(190,807)**		**(190,807)**	(185,539)		(185,539)
Non-Domestic Rates		**(42,203)**	**(42,203)**		(87,035)	(87,035)
Grant from Central Government	**(1,519)**		**(1,519)**	(3)		(3)
Total Income	**(192,326)**	**(42,203)**	**(234,529)**	**(185,542)**	**(87,035)**	**(272,577)**
EXPENDITURE						
Precepts and Demands:						
Stockport Metropolitan Borough Council	**162,718**	**79,924**	**242,642**	156,122	78,001	234,123
GMCA Mayoral General (including Fire Services)	**8,752**	**808**	**9,560**	7,318	788	8,106
GMCA Mayoral Police and Crime Commissioner	**20,047**		**20,047**	18,858		18,858
Non-Domestic Rates:						
Payment to national pool		**0**	**0**		0	0
Cost of collection		**428**	**428**		429	429
Provisions:						
Provision for doubtful debts	**5,557**	**2,352**	**7,909**	2,524	1,792	4,316
Provision for appeals		**112**	**112**		4,510	4,510
Total Expenditure	**197,074**	**83,624**	**280,698**	**184,822**	**85,520**	**270,342**
In year (surplus)/deficit	**4,748**	**41,421**	**46,169**	**(720)**	**(1,515)**	**(2,235)**
CONTRIBUTIONS						
Previous years deficit recovery:						
Stockport Metropolitan Borough Council	**0**	**0**	**0**	0	0	0
GMCA Mayoral General (including Fire Services)	**0**	**0**	**0**	0	0	0
GMCA Mayoral Police and Crime Commissioner	**0**		**0**	0		0
Central Government		**0**	**0**		0	**0**
Previous years surplus distribution:						
Stockport Metropolitan Borough Council	**472**	**1,922**	**2,394**	1,635	132	1,767
GMCA Mayoral General (including Fire Services)	**23**	**20**	**43**	76	1	77
GMCA Mayoral Police and Crime Commissioner	**69**		**69**	186		186
Central Government		**0**	**0**		0	**0**
In year contributions	**564**	**1,942**	**2,506**	**1,897**	**133**	**2,030**

Collection Fund Statement - Balances

	2020/21 COUNCIL TAX £000	2020/21 NDR £000	2020/21 TOTAL £000	2019/20 COUNCIL TAX £000	2019/20 NDR £000	2019/20 TOTAL £000
Balance brought forward at 1 April	**(737)**	**(2,809)**	**(3,546)**	(1,914)	(1,427)	(3,341)
Previous year forecast surplus/deficit distributed/(recovered) in year	**564**	**1,942**	**2,506**	1,897	133	2,030
Revised balance brought forward from previous year	**(173)**	**(867)**	**(1,040)**	(17)	(1,294)	(1,311)
In year (surplus)/deficit	**4,748**	**41,421**	**46,169**	(720)	(1,515)	(2,235)
Balance carried forward at 31 March	**4,575**	**40,554**	**45,129**	**(737)**	**(2,809)**	**(3,546)**
Allocated to:						
Stockport Metropolitan Borough Council	**3,889**	**40,148**	**44,037**	(625)	(2,781)	(3,406)
GMCA Mayoral General (including Fire Services)	**202**	**406**	**608**	(34)	(28)	(62)
GMCA Mayoral Police and Crime Commissioner	**484**		**484**	(78)		(78)
Central Government		**0**	**0**		0	0
	4,575	**40,554**	**45,129**	**(737)**	**(2,809)**	**(3,546)**

Notes to the Collection Fund Account

As a Billing Authority, the Council has a statutory obligation to maintain a separate Collection Fund account from its General Fund account. The purpose of the Collection Fund account is to isolate the income and expenditure relating to Council Tax and Business Rates. The administrative costs associated with the collection process are charged to the Council's General Fund account in the financial year they are incurred.

The Collection Fund Statement shows the transactions of the Billing Authority in relation to the collection from taxpayers of Council Tax and from businesses of Business Rates for the financial year. The Statement also shows the distribution of these income streams to the relevant precepting authorities and Central Government during the financial year. For Stockport, the Council Tax precepting authorities are the GMCA Mayoral Police and Crime Commissioner and the GMCA Mayoral General (including Fire Services). For Business Rates, the precepting authority is the GMCA Mayoral General (including Fire Services).

1. Council Tax

Council Tax income derives from charges raised against residential dwellings within the Borough based on their valuation banding (A to H). Council Tax charges are calculated by estimating the total amount of Council Tax income required by the

Council and the precepting authorities for the forthcoming financial year. This is divided by the Council Tax Taxbase (i.e. the number of Band D equivalent dwellings) to calculate the Council Tax charge for a Band D dwelling. The Council Tax charge for each of the other Bands is calculated as a proportion of the Band D equivalent charge.
The Council Tax Taxbase for 2020/21 was 97,459 (95,379 in 2019/20). The Council Tax Taxbase for 2020/21 was calculated as follows:

Band	Valuation	Dwellings on the Valuation List	Adjusted Chargeable Dwellings	Relevant Proportion	Band D Equivalent Dwellings
A	Up to £40,000	31,357	26,529	06/09	17,682.4
B	£40,001 to £52,000	28,360	25,217	07/09	19,613.2
C	£52,001 to £68,000	28,282	25,680	08/09	22,826.7
D	£68,001 to £88,000	19,341	17,892	09/09	17,892.0
E	£88,001 to £120,000	12,909	12,068	11/09	14,749.5
F	£120,001 to £160,000	6,421	6,052	13/09	8,741.4
G	£160,001 to £320,000	3,420	3,234	15/09	5,389.2
H	Over £320,000	198	154	18/09	308.0
					107,202.4
Allowance for Local Council Tax Support Scheme and Discounts					-9,993.0
Forecast of Additional Properties During the Year					250.0
Council Tax Taxbase for Budget Setting Purposes					**97,459.4**
Council Tax Taxbase Adjusted for Collection rate 98.75%					**96,241.2**

*“Valuation” represents the open market value at 1 April 1991, as assessed by the Inland Revenue.
**“Adjusted chargeable dwellings” gives the effective number of dwellings in each band after allowing for disabled relief, appeals against bandings, single persons discounts etc.
***In setting its budget the Council applies an assumed collection rate of 98.75% to its Council Tax Taxbase

The Council Tax shares payable to the Council and the precepting authorities were estimated as part of the 2020/21 budget setting process. These sums have been paid in 2020/21 and charged to the Collection Fund account in year. The surplus or deficit relating to Council Tax is apportioned to the Council and the precepting authorities. For budget setting purposes an estimate of the outturn surplus or deficit is declared in January which allows for this amount to be budgeted for and, due to revised legislation from the Government, will be reimbursed over the next three years in 2021/22, 2022/23 and 2023/24. The difference between the declared outturn surplus or deficit and the actual outturn surplus or deficit is not realised by the Council and the precepting authorities until 2022/23.

2. Business Rates

The main aim of the Business Rates retention scheme is to give local authorities a greater incentive to grow their local economies and increase their locally raised Business Rates income. This does however, increase the financial risk due to non-collection and the volatility of the Business Rates Taxbase. The Council’s Business

Rates collection rates are monitored throughout the year to mitigate the impact of any financial risks.

When the retention scheme was introduced, Central Government set baselines for each local authority and a top-up and tariff system to ensure all authorities received at least their baseline amount each year. As Stockport is able to collect Business Rates income above its baseline, the Council is required to pay a tariff to Central Government each financial year. The total amount of tariffs collected nationally are used by Central Government to fund the Top-up grants to those Authorities who cannot achieve their baseline funding levels.

In 2020/21 the Council operated under the Greater Manchester 100% Business Rates Retention Pilot with 99% of Business Rates income retained by the Council and 1% by GMCA Mayoral General (including Fire Services) – the Preceptor.

The Council's Business Rates Taxbase is based on the rateable value of individual business properties within the Borough as assessed by the Valuation Office Agency (VOA). The total rateable value at 31 March 2021 for the Stockport area was £224.973m (£228.465m at 31 March 2020). The rateable value of each property, as assessed by the VOA, is multiplied by the Uniform Business Rate determined annually by Central Government to determine the collectable Business Rates income. For 2020/21 this was 51.2p in the pound (50.4p in 2019/20) and relief of 1.3p in the pound was given to small business properties (1.3p in 2019/20).

The Business Rates income shares payable to the Council and the Preceptor were estimated as part of the 2020/21 budget setting process. These sums have been paid in 2020/21 and charged to the Collection Fund account in year. The surplus or deficit relating to Business Rates is apportioned to the Council and the Preceptor. For budget setting purposes an estimate of the outturn surplus or deficit is declared in January which allows for this amount to be budgeted for and, due to revised legislation from the Government, will be reimbursed over the next three years in 2021/22, 2022/23 and 2023/24. This deficit will be adjusted following the release from reserves of £41.508m of additional S31 grants received from the Government to reimburse the Council for the income loss from additional reliefs provided to businesses in 2020/21. The difference between the declared outturn surplus or deficit and the actual outturn surplus or deficit is not realised by the Council and the precepting authorities until 2022/23.

3. Movement on Impairment Allowance for Doubtful Debts and Appeals Provisions

The Collection Fund account provides for bad debts on Council Tax arrears (excluding costs) as shown below:

	2020/21 £000 COUNCIL TAX		2019/20 £000 COUNCIL TAX	
Provision for Doubtful Debts				
Balance brought forward		**(5,203)**		(4,754)
Write offs in year	**241**		2,075	
New contribution to provision in year	**(5,557)**		(2,524)	
Net increase/decrease in provision in year		**(5,316)**		(449)
Balance carried forward		**(10,519)**		(5,203)
The Council's Share of the Provision for Doubtful Debts				
Balance brought forward		**(4,454)**		(4,072)
Write offs in year	**206**		1,763	
New contribution to provision in year	**(4,691)**		(2,145)	
Net increase/decrease in provision in year		**(4,485)**		(382)
Balance carried forward		**(8,939)**		(4,454)

The Collection Fund account provides for bad debts on Business Rates arrears (excluding costs) as shown below:

	2020/21 £000 NDR		2019/20 £000 NDR	
Provision for Doubtful Debts				
Balance brought forward		**(6,445)**		(5,594)
Write offs in year	**184**		941	
New contribution to provision in year	**(2,352)**		(1,792)	
Net increase/decrease in provision in year		**(2,168)**		(851)
Balance carried forward		**(8,613)**		(6,445)
The Council's Share of the Provision for Doubtful Debts				
Balance brought forward		**(6,381)**		(5,539)
Write offs in year	**183**		932	
New contribution to provision in year	**(2,329)**		(1,774)	
Net increase/decrease in provision in year		**(2,146)**		(842)
Balance carried forward		**(8,527)**		(6,381)

An aspect of the financial risk associated with the Business Rates retention scheme is the volatility of the Business Rates Taxbase as a result of outstanding rateable value appeals by businesses. To mitigate this risk, the Council monitors outstanding rating appeals lodged in the appeals system managed by the VOA and assesses the risk of these appeals being successful in future financial years. At the end of each financial year these appeals are valued in order to quantify the level of provision required to fund any backdated impact on the Council's Business Rates income if appeals are successful.

The Council's share of the total provision for appeals in the Collection Fund at 31 March 2021 is £17.975m (£17.864m at 31 March 2020).

	2020/21 £000 NDR		2019/20 £000 NDR	
Provision for NNDR Appeals				
Balance brought forward		**(18,046)**		(13,536)
Use of provision in year for settled appeals	**5,817**		2,340	
New contribution to provision in year	**(5,929)**		(6,850)	
Net increase/decrease in provision in year		**(112)**		(4,510)
Balance carried forward		**(18,158)**		(18,046)
The Council's Share of the Provision for Appeals				
Balance brought forward		**(17,864)**		(13,399)
Use of provision in year for settled appeals	**5,759**		2,317	
New contribution to provision in year	**(5,870)**		(6,782)	
Net increase/decrease in provision in year		**(111)**		(4,465)
Balance carried forward		**(17,975)**		(17,864)

4. Greater Manchester 100% Business Rates Retention Pilot

During the year, Greater Manchester has continued as one of the regions piloting the full retention of Business Rates. The purpose of this Pilot is to develop and trial approaches to manage risk and reward and to finance from additional Business Rates income, new responsibilities and/or existing funding streams including those that support economic growth. It is hoped that the Business Rates retention scheme will provide stable funding streams and incentivise local economic growth. As a result of the Pilot the Council has not received the Revenue Support Grant or Public Health Grant from Government in 2020/21. Instead, the Council has retained 100% of its Business Rates income locally; 99% Council, 1% GMCA Mayoral General (including Fire Services) (rather than pay 50% of the Business Rates income to Government) to support the funding of Council Services.

Being part of the Greater Manchester Pilot provides the Council and Greater Manchester region with potential financial benefits with the guarantee that Authorities will not be worse off as a result of the Pilot. The 'No Detriment' agreement guarantees that the resources available to the Council under the existing 50% retention scheme will be the same under the 100% Pilot.

The Council has benefited from this Pilot compared to the income it would have received under the 50% retention scheme and has been able to retain the income that would have been paid to Government in previous years. It was always the intention that the Greater Manchester Region as a whole would benefit from the 100% Business Rates Retention Pilot and has been agreed that a minimum of 50% of the benefit would be retained by Authorities and any balance retained by the Greater Manchester Combined Authority (GMCA). However, due to the exceptional circumstances arising from the Covid-19 pandemic in 2020/21, 100% will be retained by Greater Manchester Authorities. As a result, the Council will retain the full £3.950m which will be used to support the Council's 2021/22 investment decisions and MTFP as approved at the Budget Council meeting on 26 February 2020.

The Council will remain in the 100% Pilot in 2021/22 and expects the benefit from the Pilot to continue. Formal confirmation is awaited, although is uncertain due to the impact of Covid-19, on the continuation of the existing Pilots (including the Greater Manchester Pilot) beyond 2021/22, and whether these will be on a 100% or 75% retention basis in line with the Government's intention to roll out 75% retention of Business Rates by all local authorities.

GROUP ACCOUNTS

Background

The Code requires that where a Council has material financial interests and a significant level of control over one or more entities, it should prepare Group Accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities.

The Group Accounts comprise the following key financial statements (with appropriate disclosures):

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

Please refer to the explanation of statements on page 42 for further description of the purpose of each statement.

Group Comprehensive Income and Expenditure Statement

	2020/21 Gross Exp-enditure £000	Gross Income £000	Net Exp -enditure £000	**2019/20** Gross Exp-enditure £000	Gross Income £000	Net Exp-enditure £000	Note
Adult Care and Health	**169,985**	**(77,917)**	**92,068**	160,183	(58,362)	101,821	
Children, Family Services and Education	**59,928**	**(13,333)**	**46,595**	58,445	(15,610)	42,835	
Citizen Focus and Engagement	**8,156**	**(635)**	**7,521**	9,505	(1,862)	7,643	
Economy and Regeneration	**11,031**	**(14,146)**	**(3,115)**	6,213	(2,226)	3,987	
Inclusive Neighbourhoods	**3,762**	**(2,554)**	**1,208**	1,807	(1,348)	459	
Resources, Commissioning and Governance	**40,673**	**(7,005)**	**33,668**	43,526	(9,024)	34,502	
Sustainable Stockport	**55,027**	**(8,347)**	**46,680**	54,049	(11,358)	42,691	
Non-Cash Limits	**68,737**	**(61,707)**	**7,030**	73,174	(65,512)	7,662	
Dedicated Schools Grant	**233,370**	**(218,583)**	**14,787**	238,524	(213,311)	25,213	
Housing Revenue Account	**49,060**	**(54,791)**	**(5,731)**	44,623	(53,705)	(9,082)	
Results of subsidiaries	**21,322**	**(22,283)**	**(961)**	32,637	(30,709)	1,928	8
Cost Of Services	**721,051**	**(481,301)**	**239,750**	722,686	(463,027)	259,659	
Other Operating Expenditure	**40,433**		**40,433**	41,928		41,928	
Financing and Investment Income and Expenditure	**90,550**	**(44,481)**	**46,069**	88,359	(53,250)	35,109	
Taxation and Non-Specific Grant Income		**(310,625)**	**(310,625)**		(290,345)	(290,345)	
(Surplus) or Deficit on Provision of Services	**852,034**	**(836,407)**	**15,627**	852,973	(806,622)	46,351	
Tax expenses of subsidiaries	**(63)**		**(63)**	317		317	
Group (Surplus)/Deficit	**851,971**	**(836,407)**	**15,564**	853,290	(806,622)	46,668	7
Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services							
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			**(115,428)**			(64,017)	
Re-measurement of the net defined benefit liability			**176,369**			(121,898)	
Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services							
(Surplus)/deficit from investments in equity instruments designated at Fair Value through Other Comprehensive Income			**(1,890)**			22,500	
Other Comprehensive Income and Expenditure			**59,051**			(163,415)	
Total Comprehensive Income and Expenditure			**74,615**			(116,747)	

Group Movement in Reserves Statement

Reserves are set out in the single entity Movement in Reserves Statement and the supporting notes to the Single Entity Statement of Accounts.

	General Fund Balance	General Fund Balance - Collection Fund Reserve	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Group Income and Expenditure Account	Total Group Reserves
	Note a	Notes a and c	Note a	Note b	Note b	Note b					
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2019 carried forward	(91,727)		(3,037)	(13,443)	0	(10,960)	(119,167)	(623,081)	(742,248)	(16,291)	(758,539)
Movement in reserves during 2019/20:											
Total Comprehensive Income and Expenditure	50,992		(4,471)				46,521	(137,874)	(91,353)	(25,394)	(116,747)
Adjustments between accounting basis and funding basis under regulations (Note 2)	(54,517)		4,040	1,316	0	(6,265)	(55,426)	55,426	0		0
(Increase)/ Decrease in 2019/20	(3,525)		(431)	1,316	0	(6,265)	(8,905)	(82,448)	(91,353)	(25,394)	(116,747)
Balance at 31 March 2020 carried forward	(95,252)		(3,468)	(12,127)	0	(17,225)	(128,072)	(705,529)	(833,601)	(41,685)	(875,286)
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020	(1,302)						(1,302)	1,302			
Restated balance at 1 April 2020	(96,554)	0	(3,468)	(12,127)	0	(17,225)	(129,374)	(704,227)	(833,601)	(41,685)	(875,286)
Movement in reserves during 2020/21:											
Total Comprehensive Income and Expenditure	**71,189**	**(41,508)**	**(8,064)**				**21,617**	**4,209**	**25,826**	**48,789**	**74,615**
Adjustments between accounting basis and funding basis under regulations (Note 2)	**(98,769)**		**8,480**	**(3,645)**	**0**	**1,086**	**(92,848)**	**92,848**	**0**		**0**
(Increase)/ Decrease in 2020/21	**(27,580)**	**(41,508)**	**416**	**(3,645)**	**0**	**1,086**	**(71,231)**	**97,057**	**25,826**	**48,789**	**74,615**
Balance at 31 March 2021 carried forward	**(124,134)**	**(41,508)**	**(3,052)**	**(15,772)**	**0**	**(16,139)**	**(200,605)**	**(607,170)**	**(807,775)**	**7,104**	**(800,671)**

The total Council Reserves are set out in the single entity Movement in Reserves Statement and the supporting notes to the Single Entity Statement of Accounts.

Group Balance Sheet

	31 March 2021 £000	31 March 2020 £000	Note
Property, Plant & Equipment			
- Council dwellings	**602,346**	513,475	
- Other land and buildings	**607,332**	579,115	
- Vehicles, plant, furniture and equipment	**20,640**	17,780	
- Infrastructure	**399,388**	387,566	
- Community assets	**1,502**	1,554	
- Surplus assets not held for sale	**3,812**	3,787	
- Assets under construction	**70,265**	55,148	
Property, Plant & Equipment	**1,705,285**	1,558,425	5
Heritage Assets	**11,583**	11,685	
Investment Property	**180,890**	169,906	
Intangible Assets	**908**	1,135	
Long-Term Investments	**37,800**	32,170	
Long-Term Debtors	**45,638**	26,735	2
Long-Term Finance lease Debtors	**13,700**	13,700	
Long-Term Assets	**1,995,804**	1,813,756	
Assets Held for Sale (short-term)	**3,455**	576	
Inventories	**540**	12,196	
Cash and Cash Equivalents	**47,193**	70,306	9
Short-Term Investments	**17,450**	78,045	
Short-Term Debtors	**71,742**	85,244	2
Current Assets	**140,380**	246,367	
Bank Overdraft	**(2,140)**	(2,763)	9
Short-Term Creditors	**(88,921)**	(92,708)	3
Short-Term Provisions	**(5,585)**	(5,408)	4
Short-Term Borrowing	**(144,173)**	(151,311)	
Current Liabilities	**(240,819)**	(252,190)	
Long-Term Creditors	**(7,282)**	(8,817)	3
Long-Term Provisions	**(18,631)**	(18,938)	4
Long-Term Borrowing	**(491,558)**	(506,653)	
Other Long-Term Liabilities - Net pensions liability	**(520,542)**	(354,714)	6
Other Long-Term Liabilities - Finance leases	**(13,700)**	(13,700)	
Revenue Grants Receipts in Advance	**(28,344)**	(17,503)	
Capital Grants Receipts in Advance	**(14,637)**	(12,322)	
Long-Term Liabilities	**(1,094,694)**	(932,647)	
Net Assets	**800,671**	875,286	
Usable reserves	**(200,605)**	(128,072)	
Unusable Reserves	**(607,170)**	(705,529)	
Group Income and Expenditure Account	**7,104**	(41,685)	
Total Reserves	**(800,671)**	(875,286)	

Group Cash Flow Statement

	2020/21 £000	2019/20 £000	Note
Net deficit on the provision of services	**15,627**	46,351	
Adjustments to net surplus or deficit on the provision of services for non-cash movements			
Depreciation	**(56,168)**	(51,187)	
Impairment and revaluation	**2,570**	845	
Amortisation	**(227)**	0	
(Increase) in Impairment for bad debts	**(12,429)**	(1,354)	
(Increase)/decrease in creditors	**(7,944)**	(26,246)	
Increase/(Decrease) in debtors	**16,688**	7,732	
(Decrease) in inventories	**(1,569)**	(4,569)	
Difference between IAS 19 pension cost and pensions paid	**10,541**	(63,274)	
Carrying amount of non-current assets sold	**(21,605)**	(4,479)	
Movement in value of investment properties	**(7,086)**	(21,487)	
Movement in provisions	**130**	(2,766)	
	(77,099)	(166,785)	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities			
Proceeds from the Sale of property, plant and equipment, investment property and intangible assets	**7,955**	5,120	
Revenue expenditure funded from capital under statute	**(2,811)**	(2,245)	
Capital grants	**37,062**	37,777	
Net cash flows from Operating Activities*	**(19,266)**	(79,782)	
Investing Activities	**16,887**	134,195	10
Financing Activities	**24,869**	(71,700)	11
Net (increase) or decrease in cash and cash equivalents	**22,490**	(17,287)	
Cash and cash equivalents and bank overdraft at the beginning of the reporting period	**67,543**	50,256	
Cash and cash equivalents and bank overdraft at the end of the reporting period	**45,053**	67,543	

*The following items are included within operating activities:

	2020/21 £000	2019/20 £000
Interest Received	**(301)**	(1,578)
Interest Paid	**19,345**	18,738
Finance lease interest paid	**1,187**	1,171
Dividends Received		(6,570)
Finance lease interest received	**(1,463)**	(1,438)
Taxation paid	**111**	394

Notes to the Group Accounts

The Stockport Council Group

The Council has relationships with a number of companies over which it has varying degrees of control and influence. In line with the Code, the Council continues to review its relationship with other entities, particularly in respect of the definition of control and accounting for joint arrangements. The bodies considered to be part of the Stockport Council Group are shown below.

Bodies Consolidated
Two bodies, in addition to Stockport MBC, have been included in the Group Accounts; Stockport Homes Ltd and Totally Local Company Ltd. These are wholly owned subsidiaries of the Council and have been accounted for on an acquisition basis and subsequently consolidated on a full line by line basis, writing out inter-group transactions.

Stockport Homes Ltd was formed by the Council to take over the responsibility for managing and maintaining the Council's dwellings and has been a wholly owned subsidiary of Stockport Council since 1 October 2005. It is an ALMO (arms-length management organisation) of the Council and is a company limited by guarantee. The liability of the Council is limited to £1.

The Board of Directors of Stockport Homes Ltd consists of ten voluntary members including customers, independent and stakeholder members. In addition, the Stockport Homes Ltd Member Committee, a cross party Council body, monitors and oversees the Company's work.

Stockport Homes Ltd principal source of income is a management fee, paid by the Council, for managing and maintaining the Council's housing stock, as well as fulfil a number of other statutory responsibilities, including preventing homelessness, managing private sector renewals and disabled adaptations, and the provision of sheltered housing.

Stockport Homes Ltd has three subsidiary companies, Three Sixty SHG Ltd, Viaduct Partnerships Ltd and Foundations Stockport Ltd. Three Sixty SHG Ltd and Viaduct Partnerships Ltd were both established in 2016/17 and are limited by shares, wholly owned by Stockport Homes Ltd. Three Sixty SHG Ltd is primarily a construction company, established to deliver core elements of the HRA capital programme. Viaduct Partnerships Ltd is a development company for new builds for rental purposes.

Foundations Stockport Ltd was formed in December 2018 to deliver more social inclusion and health related initiatives for Stockport. It is a company limited by shares, with Stockport Homes Ltd and Foundations Board members being shareholders. Foundations Stockport Ltd is a charitable Community Benefit Society registered with the Financial Conduct Authority and Companies House.

During 2020/21, the management fee and other charges made to the Council by the Stockport Homes Group amounted to £43.671m (£43.484m in 2019/20).

Outstanding balances owed by the Council to the Stockport Homes Group at the year end amounted to £3.837m (£3.545m 31 March 2020).

During 2020/21, the Council charged the Stockport Homes Group £2.267m (£2.527m in 2019/20) for the provision of support services and other items. Outstanding balances owed by the Stockport Homes Group to the Council at the year end amounted to £77.045m (£60.788m at 31 March 2020) this was made up of £1.063m (£0.384m at 31 March 2020) of trade receivables and loans of £75.982m (£60.404m at 31 March 2020).

Totally Local Company Ltd was formed to take over the responsibility for providing highways maintenance, property and building maintenance, catering, and refuse collection services. The company became a wholly owned subsidiary of Stockport Council from 1 November 2006. At 31 March 2021, the Board consisted of two Executive Directors, and four independent Non-Executive Directors.

To support the Council's business objectives, a Contributor Committee has been established consisting of seven Members drawn from all the Party Groups. The Contributor Committee appoints all Directors.

Totally Local Company Ltd has a wholly owned subsidiary company; Waste Solutions SK Ltd. This company collects waste and products for recycling in the Greater Manchester Area.

Totally Local Company Ltd Group's principal source of income is from fees and charges for services provided to Stockport Council and Stockport Homes Ltd.

During 2020/21, the management fee and other charges made to the Council by Totally Local Company Ltd amounted to £29.908m (£35.067m during 2019/20). Outstanding balances owed by the Council to Totally Local Company Ltd at the year end amounted to £1.354m (£2.288m at 31 March 2020).

During 2020/21, the Council charged Totally Local Company Ltd £1.276m (£1.223m during 2019/20) for the provision of support services. Outstanding balances owed by Totally Local Company Ltd to the Council at the year end amounted to £11.134m (£9.369m at 31 March 2020) this was made up of £0.363m (£0.564m at 31 March 2020) of trade receivables and loans of £10.771m (£8.805m at 31 March 2020).

Bodies Not Consolidated

Stockport Exchange Phase 2 Ltd
Stockport Exchange Phase 2 Ltd is a wholly owned subsidiary of the Council and was set up to undertake the Stockport Exchange No 1 office and hotel development, which completed in 2016/17. Two officers of the Council are directors of the Company.

The company is now dormant.

Stockport Exchange Phase 3 Ltd

Stockport Exchange Phase 3 Ltd is a wholly owned subsidiary of the Council acquired on 15 May 2020 and was set up to undertake the Stockport Exchange No 2 office development, which completed in 2020/21. Two officers of the Council are directors of the Company.

Based on qualitative and quantitative assessments, it has been judged that the interest in the entity is not material to the Council and therefore not consolidated into the Council's Group Accounts in 2020/21.
In the latest draft accounts for the year ended 31 December 2020, the company recorded a loss of £0.005m and net current liabilities of £0.01m.

Stockport Hotel Management Company Ltd
On 19 September 2016, the Council incorporated Stockport Hotel Management Company Ltd as the trading company for the Hotel, appointing two Council Officers as Directors and providing £0.100m of share capital. Interstate Ltd was appointed to operate the Hotel under the Holiday Inn Express franchise and it opened for business on 19 December 2016.

Based on qualitative and quantitative assessments, it has been judged that the interest in the entity is not material to the Council and therefore not consolidated into the Council's Group Accounts in 2020/21 or 2019/20.
In the latest draft accounts for the year ended 31 December 2020, the company recorded a loss of £0.135m (year ended 31 December 2019 – profit of £0.152m), and net current assets of £0.117m (2019 - £0.252m).

Stockport Mayoral Development Corporation
In March 2019, GMCA agreed to create the Stockport Mayoral Development Corporation (MDC) to lead the regeneration of Town Centre West. The MDC is a 'body corporate', which is run by a board appointed by the Greater Manchester Mayor in consultation with Stockport Council. The MDC board has overall responsibility for all aspects of the organisation's operations. The board is made up of four senior-level private sector members, one of whom is the Chair, three Council Members, including the Leader, representing different political parties, Stockport MBC's Chief Executive Officer, a representative from GMCA and a representative from Homes England. In addition, the Director of Finance and Chief Executive Officers roles are held by Council Officers, the Deputy Chief Executive (Section 151 Officer) and Director of Development and Regeneration respectively.
Based on qualitative and quantitative assessments, it has been judged that the interest in the entity is not material to the Council and therefore not consolidated into the Council's Group Accounts in 2020/21.
The Council has accrued costs of £0.128m during 2020/21 relating to MDC expenditure.

Other entities
No other entities are considered to be part of the Stockport Council Group for consolidation purposes.

Notes to the Group Accounts

Where figures in the Group accounts differ materially from the Council's accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the group entities into the Council's accounts.

The Statement of Accounts was authorised for issue on 8 September 2021 by the Deputy Chief Executive (Section 151 Officer). This is the date up to which events after the balance sheet date have been considered and included where relevant.

1. Accounting Policies

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council, Stockport Homes Ltd and Totally Local Company Ltd.

The accounting policies of the Council's consolidated subsidiary companies have been aligned with the Council's Accounting Policies set out in Note 38. Any statutory adjustments between the accounting basis and funding basis included in the Council's accounting policies do not apply to the subsidiary companies, for example in relation to retirement benefits.

The total comprehensive income and expenditure items of the group companies are accounted for within the Group Income and Expenditure Account, including the surplus/deficit on the provision of services, surplus/deficit on revaluation of property, plant and equipment and re-measurement of the defined benefit liability.

Since Stockport Homes Ltd accounts show non-current assets at historic cost, the company's dwellings have been revalued to current value to bring them into line with the Council's accounting policies. The current value has been assessed by the valuer using the existing use value for social housing (EUV-SH) appropriate to the dwellings' mix of tenures. Any revaluation gains or losses are shown separately in the Property, Plant and Equipment Note 5 and are included in the Group Income and Expenditure Account.

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

	Short-term Gross Balance £000	Impairment allowance £000	31 March 2021 Short-Term £000	31 March 2021 Long-Term £000	31 March 2021 Total £000
Financial Assets					
Trade Receivables					
Central Government	6,391		6,391		6,391
Other Local Authorities	9,850		9,850		9,850
NHS Bodies	5,387	(26)	5,361		5,361
Other Entities and Individuals:					
Social Services Clients	6,591	(2,225)	4,366		4,366
Housing Rents	2,805	(1,855)	950		950
Lease and rental receivables	10,631	(4,841)	5,790	1,975	7,765
Other Entities and Individuals	16,948	(1,054)	15,894		15,894
	58,603	(10,001)	48,602	1,975	50,577
Other Receivables - Loans					
Loans - Manchester Airport				34,226	34,226
Car and Other loans	50		50	5,700	5,750
	50	0	50	39,926	39,976
Total Receivables (Financial Assets)	58,653	(10,001)	48,652	41,901	90,553
Other Receivables (Non-Financial Assets)					
Central Government (Tax)	7,040		7,040		7,040
Housing Benefits	3,932	(3,820)	112		112
Collection Fund:					
Business Rates	8,565	(8,565)	0		0
Council Tax	13,777	(9,544)	4,233		4,233
Payments in advance:					
Lease and rental receivables	224		224	3,737	3,961
Other payments in advance	11,481		11,481		11,481
Total Receivables (Non-Financial Assets)	45,019	(21,929)	23,090	3,737	26,827
Total Receivables	103,672	(31,930)	71,742	45,638	117,380

	Short-term Gross Balance £000	Impairment allowance £000	31 March 2020 Short-Term £000	31 March 2020 Long-Term £000	31 March 2020 Total £000
Financial Assets					
Trade Receivables					
Central Government	3,817		3,817		3,817
Other Local Authorities	14,671		14,671		14,671
NHS Bodies	6,325	(13)	6,312		6,312
Other Entities and Individuals:					
Social Services Clients	8,756	(1,103)	7,653		7,653
Housing Rents	3,073	(1,846)	1,227		1,227
Lease and rental receivables	7,093	(666)	6,427	1,719	8,146
Other Entities and Individuals	7,540	(477)	7,063		7,063
	51,275	(4,105)	47,170	1,719	48,889
Other Receivables - Loans					
Loans - Manchester Airport				21,542	21,542
Loans - Stockport Exchange Phase 3	14,780		14,780		14,780
Car and Other loans	81		81	226	307
	14,861	0	14,861	21,768	36,629
Total Receivables (Financial Assets)	66,136	(4,105)	62,031	23,487	85,518
Other Receivables (Non-Financial Assets)					
Central Government (Tax)	3,037		3,037		3,037
Housing Benefits	4,700	(4,018)	682		682
Collection Fund:					
Business Rates	8,611	(6,412)	2,199		2,199
Council Tax	12,253	(4,966)	7,287		7,287
Payments in advance:					
Lease and rental receivables	304		304	3,248	3,552
Other payments in advance	9,704		9,704		9,704
Total Receivables (Non-Financial Assets)	38,609	(15,396)	23,213	3,248	26,461
Total Receivables	104,745	(19,501)	85,244	26,735	111,979

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

	31 March 2021 Short-Term £000	31 March 2021 Long-Term £000	31 March 2021 Total £000
Financial Liabilities			
Trade Payables			
Central Government	**(4,612)**	**(50)**	**(4,662)**
Other Local Authorities	**(439)**		**(439)**
NHS Bodies	**(4,964)**		**(4,964)**
Other Entities and Individuals	**(51,654)**	**(80)**	**(51,734)**
Finance Lease payables		**(1,576)**	**(1,576)**
	(61,669)	**(1,706)**	**(63,375)**
Other Payables			
Employees Accumulated Absences	**(6,083)**		**(6,083)**
	(67,752)	**(1,706)**	**(69,458)**
Other Trade Payables (Non-Financial Liabilities)			
Central Government (Tax)	**(5,422)**		**(5,422)**
Debt administered by other Councils	**(1,539)**		**(1,539)**
Collection Fund:			
Business Rates	**(2,803)**		**(2,803)**
Council Tax	**(2,280)**		**(2,280)**
Receipts in advance:			
Lease and rental receipts in advance	**(2,961)**	**(4,974)**	**(7,935)**
Social Care receipts in advance	**(68)**		**(68)**
Other receipts in advance	**(6,096)**	**(602)**	**(6,698)**
	(21,169)	**(5,576)**	**(26,745)**
Total Payables	**(88,921)**	**(7,282)**	**(96,203)**

	31 March 2020 Short-Term £000	31 March 2020 Long-Term £000	31 March 2020 Total £000
Financial Liabilities			
Trade Payables			
Central Government	(1,200)	(197)	(1,397)
Other Local Authorities	(7,119)		(7,119)
NHS Bodies	(6,659)		(6,659)
Other Entities and Individuals	(52,452)	(50)	(52,502)
Finance Lease payables		(1,386)	(1,386)
	(67,430)	(1,633)	(69,063)
Other Payables			
Employees Accumulated Absences	(4,743)		(4,743)
	(72,173)	(1,633)	(73,806)
Other Trade Payables (Non-Financial Liabilities)			
Central Government (Tax)	(5,581)		(5,581)
Debt administered by other Councils	(1,658)	(1,327)	(2,985)
Collection Fund:			
Business Rates	(2,115)		(2,115)
Council Tax	(2,116)		(2,116)
Receipts in advance:			
Lease and rental receipts in advance	(2,524)	(5,165)	(7,689)
Social Care receipts in advance	(727)		(727)
Other receipts in advance	(5,814)	(692)	(6,506)
	(20,535)	(7,184)	(27,719)
Total Payables	(92,708)	(8,817)	(101,525)

4. Provisions

	Insurance Fund £000	Business Rates Appeals £000	Employee Related £000	Other Provisions £000	Total £000	Comparative figures for 2019/20 £000
Long-term						
Balance 31 March 2020	(4,165)	(14,773)			(18,938)	(16,021)
Increases in year	(242)				(242)	(3,705)
Decreases in year		549			549	788
Balance as at 31 March 2021	**(4,407)**	**(14,224)**	**0**	**0**	**(18,631)**	(18,938)
Short-term						
Balance 31 March 2020	(933)	(3,091)	(661)	(723)	(5,408)	(5,559)
Increases in year	(228)	(6,478)	(19)		(6,725)	(3,300)
Decreases in year		5,818	7	723	6,548	3,451
Balance as at 31 March 2021	**(1,161)**	**(3,751)**	**(673)**	**0**	**(5,585)**	(5,408)
Total Provisions	**(5,568)**	**(17,975)**	**(673)**	**0**	**(24,216)**	(24,346)

Additional provisions in relation to group companies:

Employee and taxation related provisions
The employee provisions comprise several individual provisions for varied employment issues. No individual provision is material in its nature or size.

Other provisions
The brought forward balance in other provisions related to a legal settlement that was concluded during the year.

5. Property, Plant and Equipment

Movements in 2020/21:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2020	**528,622**	**611,933**	**54,349**	**526,063**	**1,872**	**4,093**	**55,148**	**1,782,080**
Additions	**19,340**	**5,524**	**6,029**	**17,274**			**50,984**	**99,151**
Revaluation increases/decreases to Group reserve	**(25,358)**							**(25,358)**
Revaluation increases/ decreases to Revaluation Reserve	**73,602**	**35,991**						**109,593**
Revaluation increases/ decreases to Surplus or Deficit on the Provision of Services	**2**	**(1,096)**						**(1,094)**
Derecognition - Disposals	**(2,977)**	**(17,920)**	**(373)**	**(1,343)**				**(22,613)**
Reclassifications & Transfers	**25,647**	**1,686**	**352**	**14,929**			**(35,867)**	**6,747**
Other Movements *			**(3,954)**					**(3,954)**
At 31 March 2021	**618,878**	**636,118**	**56,403**	**556,923**	**1,872**	**4,093**	**70,265**	**1,944,552**
Accumulated Depreciation and Impairment								
At 1 April 2020	**(15,147)**	**(32,818)**	**(36,569)**	**(138,497)**	**(318)**	**(306)**		**(223,655)**
Depreciation Charge	**(12,817)**	**(20,472)**	**(3,517)**	**(19,145)**	**(52)**	**(5)**		**(56,008)**
Depreciation written out to Revaluation Reserve	**11,083**	**20,065**						**31,148**
Depreciation on Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	**270**	**3,494**				**30**		**3,794**
Derecognition - Disposals	**79**	**945**	**369**	**107**				**1,500**
Other Movements *			**3,954**					**3,954**
At 31 March 2021	**(16,532)**	**(28,786)**	**(35,763)**	**(157,535)**	**(370)**	**(281)**	**0**	**(239,267)**
Net Book Value								
At 31 March 2021	**602,346**	**607,332**	**20,640**	**399,388**	**1,502**	**3,812**	**70,265**	**1,705,285**
At 1 April 2020	513,475	579,115	17,780	387,566	1,554	3,787	55,148	1,558,425

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

The group value of Property, Plant and Equipment comprises Council assets - £1,586.797m; Stockport Homes Ltd assets - £112.324m and Totally Local Company Ltd assets - £6.164m.

Movements in 2019/20:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2019	514,546	559,022	52,307	474,166	2,005	5,023	60,909	1,667,978
Additions	13,518	7,642	2,175	25,627			41,601	90,563
Revaluation increases to Group reserve	4,306							4,306
Revaluation increases/ decreases to Revaluation Reserve	794	43,089				(930)		42,953
Revaluation increases/ decreases to Surplus or Deficit on the Provision of Services	(8,132)	720						(7,412)
Impairment losses to Surplus or Deficit on the Provision of Services		(940)						(940)
Derecognition - Disposals	(3,194)	(1,401)	(324)	0	0			(4,919)
Reclassifications & Transfers	6,784	5,343	191	26,270	(133)		(47,362)	(8,907)
Other Movements		(1,542)						(1,542)
At 31 March 2020	528,622	611,933	54,349	526,063	1,872	4,093	55,148	1,782,080
Accumulated Depreciation and Impairment								
At 1 April 2019	(14,082)	(31,790)	(33,247)	(121,231)	(300)	(50)		(200,700)
Depreciation Charge	(12,318)	(17,779)	(3,642)	(17,266)	(18)	(5)		(51,028)
Depreciation written out to Revaluation Reserve	65	16,171				49		16,285
Depreciation on Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	11,074	(1,649)				(300)		9,125
Impairment losses to Surplus or Deficit on the Provision of Services	0	98						98
Derecognition - Disposals	114	249	320					683
Reclassifications & Transfers		340						340
Other Movements		1,542						1,542
At 31 March 2020	(15,147)	(32,818)	(36,569)	(138,497)	(318)	(306)	0	(223,655)
Net Book Value								
At 31 March 2020	513,475	579,115	17,780	387,566	1,554	3,787	55,148	1,558,425
At 1 April 2019	500,464	527,232	19,060	352,935	1,705	4,973	60,909	1,467,278

The group value of Property, Plant and Equipment comprises Council assets - £1,448.017m; Stockport Homes Ltd assets - £105.948m and Totally Local Company Ltd assets - £4.460m.

6. Pensions

The Group participate in the Greater Manchester Pension Fund as part of a pooled arrangement, where individual bodies have admitted body status within the Stockport MBC pool for purposes of the actuarial valuation. However, each entity accounts individually for its net defined benefit cost (and the resultant asset or liability). The TLC balances include the results of a small admitted body primary school.

The single entity also participates in the Teachers' Pension Scheme and the NHS Pensions scheme, details of which are given in the single entity statements Note 26.

In addition, the subsidiaries participate in two separate defined contribution schemes. The pensions charge for the year ended 31 March 2021 was £0.567m (31 March 2020- £0.513m).

The underlying assets and liabilities for retirement benefits attributable to the Group participation in the Greater Manchester Pension Fund as at 31 March are as follows:

	GMPF (SMBC) £000	**GMPF (Stockport Homes) £000**	**GMPF (Totally Local Company) £000**	**Teachers' Discretionary Benefit £000**	**31 March 2021 Total £000**	31 March 2020 Total £000
Estimated Employers' Assets	**1,122,457**	**86,922**	**103,410**		**1,312,789**	1,048,395
Present Value of Scheme Liabilities	**(1,570,269)**	**(127,313)**	**(117,792)**	**(17,957)**	**(1,833,331)**	(1,403,109)
Net Pension (Liability)/Asset	**(447,812)**	**(40,391)**	**(14,382)**	**(17,957)**	**(520,542)**	(354,714)

The characteristics of the GMPF are set out in the single entity statements Note 26.

For Stockport Homes, the main financial assumptions are 2.8% for pensions increases (31 March 2020 – 1.8%); 3.55% for salary increases (31 March 2020 – 2.6%) and a discount rate of 2.05% (31 March 2020 – 2.3%).

For Totally Local Company, the main financial assumptions are 2.85% for pensions increases (31 March 2020 – 1.9%); 3.6% for salary increases (31 March 2020 – 2.7%) and a discount rate of 2.0% (31 March 2020 – 2.3%).

The weighted average duration of the defined benefit obligation for scheme members is 26 years for Stockport Homes and 21 years for Totally Local Company.

The major categories of group company plan assets as a percentage of total plan assets is as follows:

	31 March 2021 %	31 March 2020 %
Equities	**72**	69
Bonds	**12**	15
Property	**7**	7
Cash	**9**	9
	100	100

The expected pension scheme contributions to the GMPF for the group for the year ending 31 March 2022 will be approximately £24.7m.

A reconciliation of the group position on the Greater Manchester pension fund is set out below:

Changes in the Fair Value of Plan Assets	Period ended 31 March 2021			Period ended 31 March 2020		
	Net (liability)/ Assets £000	Assets £000	Obligations £000	Net (liability)/ Assets £000	Assets £000	Obligations £000
Fair Value of Employer Assets	1,048,395	1,048,395		1,129,377	1,129,377	
Present value of funded liabilities	(1,377,473)		(1,377,473)	(1,512,273)		(1,512,273)
Present value of unfunded liabilities	(25,636)		(25,636)	(30,442)		(30,442)
Opening position	(354,714)	1,048,395	(1,403,109)	(413,338)	1,129,377	(1,542,715)
Service Costs:						
- current service cost*	(44,953)		(44,953)	(55,226)		(55,226)
- past service costs (including curtailments)	(579)		(579)	(6,431)		(6,431)
Total service cost	(45,532)	0	(45,532)	(61,657)	0	(61,657)
Net Interest:						
- interest income on plan assets	23,787	23,787		26,894	26,894	
- interest cost on defined benefit obligation	(32,425)		(32,425)	(37,394)		(37,394)
Total net interest	(8,638)	23,787	(32,425)	(10,500)	26,894	(37,394)
Total defined benefit cost recognised in Profit or (Loss)	(54,170)	23,787	(77,957)	(72,157)	26,894	(99,051)
Cashflows:						
- Contributions from Members	0	8,170	(8,170)	0	7,993	(7,993)
- Contributions from Employer	62,810	62,810		6,945	6,945	
- Contributions in respect of unfunded benefits	1,901	1,901		1,938	1,938	
- Benefits paid		(37,194)	37,194		(37,297)	37,297
- Unfunded benefits paid		(1,901)	1,901		(1,938)	1,938
Cashflows	64,711	33,786	30,925	8,883	(22,359)	31,242
Expected closing position	(344,173)	1,105,968	(1,450,141)	(476,612)	1,133,912	(1,610,524)
Remeasurements:						
- Changes in demographic assumptions	(8,255)		(8,255)	45,442		45,442
- Changes in financial assumptions	(388,230)		(388,230)	122,266		122,266
- Other experience	13,295		13,295	39,707		39,707
- Return on assets excluding amounts included in net interest	206,821	206,821	0	(85,517)	(85,517)	
Total Remeasurements recognised in CIES	(176,369)	206,821	(383,190)	121,898	(85,517)	207,415
Fair Value of Employer Assets	1,312,789	1,312,789		1,048,395	1,048,395	
Present Value of Funded liabilities	(1,805,849)		(1,805,849)	(1,377,473)		(1,377,473)
Present Value of Unfunded liabilities	(27,482)		(27,482)	(25,636)		(25,636)
Closing Position as at 31 March 2021	(520,542)	1,312,789	(1,833,331)	(354,714)	1,048,395	(1,403,109)

The sensitivity analysis for the group company assumptions is set out below:

Stockport Homes Ltd

Change in Assumptions at 31 March 2021	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	**13%**	**16,512**
0.5% Increase in the Salary increase rate	**2%**	**1,966**
0.5% Increase in the Pension increase rate	**11%**	**14,184**

Totally Local Company Ltd

Change in Assumptions at 31 March 2021	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	**10%**	**12,254**
0.5% Increase in the Salary increase rate	**1%**	**1,209**
0.5% Increase in the Pension increase rate	**9%**	**10,785**

7. Group Expenditure and Funding Subjective Analysis

	Total Group 2020/21 £000	Total Group 2019/20 £000
Expenditure		
Employee Benefit Expenses	**323,232**	333,648
Other service expenses	**344,165**	338,955
Capital charges including depreciation and impairment	**53,654**	50,083
Financing and investment expenditure including interest	**90,550**	88,359
Levies	**40,842**	40,784
Payments to Housing Capital Receipts Pool	**2,296**	2,315
Losses/(gains) on disposal of assets/ impairment of assets held for sale	**(2,705)**	(1,171)
Taxation expense	**(63)**	317
	851,971	853,290
Income		
Fees, charges and other service income	**(138,190)**	(157,165)
Financing and investment income including interest	**(44,344)**	(53,250)
Income from Council Tax and Business Rates	**(180,814)**	(218,992)
Government grants and contributions	**(473,059)**	(377,215)
	(836,407)	(806,622)
	15,564	46,668

8. Results of Subsidiaries

The results of subsidiaries within Net Cost of Services comprises:

	2020/21 Expenditure £000	**2020/21 Income £000**	**2020/21 Net £000**	2019/20 Expenditure £000	2019/20 Income £000	2019/20 Net £000
Operating result of Totally Local Company Ltd	**34,594**	**(33,982)**	**612**	38,913	(37,712)	1,201
Operating result of Stockport Homes Ltd	**47,961**	**(49,534)**	**(1,573)**	53,762	(53,035)	727
Consolidation adjustments	**(61,233)**	**61,233**	**0**	(60,038)	60,038	0
	21,322	**(22,283)**	**(961)**	32,637	(30,709)	1,928

Consolidation adjustments relate to revenue expenditure charged between the Group companies which reduces overall expenditure and income for the Group accounts.

9. Cash and Cash Equivalents

	Balance at 31 March 2021 £000	Balance at 31 March 2020 £000
Cash and bank balances	**40,368**	37,961
Short-term investments, considered to be cash equivalents	**6,825**	32,345
	47,193	70,306
Bank Overdraft	**(2,140)**	(2,763)
	45,053	67,543

10. Note to the Cash Flow Statement- Investing Activities

	2020/21 £000	2019/20 £000
Purchase of property, plant and equipment, investment property and intangible assets	**101,955**	91,094
Purchase of short-term and long-term investments	**109,440**	89,870
Other capital payments for investing activities	**19,508**	13,967
Other payment for investing activities	**0**	39
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(7,955)**	(5,120)
Capital grants	**(39,763)**	(38,574)
Proceeds from short-term and long-term investments	**(166,250)**	(17,000)
Other receipts from investing activities	**(48)**	(81)
	16,887	134,195

11. Note to the Cash Flow Statement- Financing Activities

	2020/21	2019/20
	£000	£000
Cash receipts of short- and long-term borrowing	**(163,607)**	(384,315)
Repayments of short- and long-term borrowing	**187,328**	312,941
	23,721	(71,374)
Other receipts from financing activities	**1,148**	(326)
	24,869	(71,700)

The reconciliation of liabilities arising from financing activities is set out in the Notes to the Single Entity Statements.

PART 2 - OTHER ACCOUNTS (not subject to audit)

This section summarises the accounts of various Trust Funds and other bodies which the Council administers on behalf of their trustees or otherwise. This statement sets out the income and expenditure in relation to those Trusts. These funds do not represent assets of the Council and are not therefore included within the Comprehensive Income and Expenditure Statement or Balance Sheet.

	Balance at 31 March 2020 £	Increases in year £	Reductions in year £	**Balance at 31 March 2021 £**
Hollingpriest Educational Foundation	(1,271)	(22)	15	**(1,278)**
Woodbank Memorial Fund	(2,655)	(3)	3	**(2,655)**
Brookfield Park Shiers Family Trust	(344,015)	(51,516)	23,195	**(372,336)**
Total	(347,941)	(51,541)	23,213	**(376,269)**

Notes

Hollingpriest Educational Foundation

The Fund was established for the provision of academic, social and physical training for young people in Stockport under the age of 25 years.

Woodbank Memorial Fund

The income from the invested funds is to be used for the benefit of the park and its services. The annual interest is to be utilised by Parks Services in connection with Woodbank Park.

Brookfield Park Shiers Family Trust

The Charity was established for the residents of Cheadle and Gatley for health, education and social services purposes as the Council, as Trustees, in its discretion sees fit. The current policy is to maintain the value of the original bequest in real terms.

The Trustees resolved to reserve £25,000 to be used to address the effects of loneliness amongst elderly residents and the consequential effect on their health. A total of £24,615 has been distributed to date.

In 2018, Members approved £50,000 from the Trust to support voluntary groups for children and young people, young carers, addressing loneliness amongst children and young people, and supporting sports groups for people of all ages. A total of £9,370 has been distributed to date.

Glossary of Accounting Terms

Accounting Period
The period of time covered by the accounts, normally twelve months commencing on 1 April. The end of the accounting period is the balance sheet date.

Accrual
An amount included in the accounts to cover income or expenditure attributable to an accounting period but for which payment has not been received or made by the end of the accounting period. This is based on the concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial Gains and Losses
For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because: (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or (b) the actuarial assumptions have changed.

Amortise
To write off a balance gradually and systematically over a specified period of time. Examples of balances which are amortised include Government Grants Deferred and Premiums and Discounts arising from early repayment of loans.

Asset
Something of value which is measurable in monetary terms.

Billing Authority
An authority responsible for the collection of the Council Tax and Business Rates.

Capital Expenditure
Expenditure on the acquisition of a non-current asset or expenditure which adds to, and not merely maintains, the value of an existing non-current asset. This includes grants or advances paid to third parties to assist them in acquiring or enhancing their own non-current assets.

Capital Receipt
The proceeds from the sale of a non-current asset, or the repayment of an advance.

Cash and Non-Cash Limits
Cash limit items are items which are under the direct accountable responsibility of a specified officer, as opposed to non-cash limit items (e.g. insurance, levies and financing costs) which are general council in nature and managed on a corporate basis.

Collection Fund
A statutory account which billing authorities have to maintain for the collection and distribution of amounts due in respect of Council Tax and Business Rates.

Community Assets
Assets that the Council intends to hold in perpetuity, have no determinable finite useful life and in addition may have restrictions on their disposal. Examples of community assets are playing fields and parks.

Consistency
The concept that the accounting treatment of like items within an accounting period and from one period to the next should be the same.

Constructive obligation
An obligation that derives from a Council's actions where:

- by an established pattern of past practice, published policies or a sufficiently specific current statement, the Council has indicated to other parties that it will accept certain responsibilities and
- as a result, the Council has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent asset
A possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liability
A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Alternatively, a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of that obligation cannot be measured with sufficient reliability.

Council Tax
A banded property tax which is levied on domestic properties throughout the country. The banding is based on estimated property values as at 1 April 1991. The level of tax is set annually by each local authority for the properties in its area.

Creditors
Amounts owed by the Council for work done, goods received or services rendered to the Council during the accounting period, but for which payment has not been made by the balance sheet date.

Current Assets
Assets which will be consumed or cease to have value within the next accounting period, e.g. stock and debtors.

Current Liabilities
Amounts which will become payable or could be called in within the next accounting period, e.g. creditors and cash overdrawn.

Current Service Cost (Pensions)
The increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Curtailment
For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors
Amounts due to the Council which relate to the accounting period and have not been received by the balance sheet date.

Dedicated Schools Grant
A ring-fenced grant from the government that has to be used to fund the delegated budget of each school, together with certain items of related central expenditure.

Defined Benefit Scheme
A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme
A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation
The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Discretionary Benefits
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Council's discretionary powers.

Employees Accumulated Absences
Employees Accumulated Absences are periods during which an employee does not provide services to the employer, but benefits continue to be paid. Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full, for example, annual leave, flexitime and time in lieu.

Exceptional Items
Material items which arise from events or transactions that fall within the ordinary activities of the Council and which by virtue of their size or incidence need to be disclosed separately to give a fair presentation of the accounts.

Expenditure
Costs incurred by the Council for goods received, services rendered or other value consumed during the accounting period, irrespective of whether or not any movement of cash has taken place.

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

Financial Instrument
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The term 'financial instrument' covers both financial assets and financial liabilities and can be straightforward financial assets and liabilities, such as trade receivables and trade payables, or very complex ones, such as derivatives.

Finance Lease
A lease that transfers the risks and rewards of ownership of a non-current asset to the lessee. Such a transfer may be presumed to occur if at the inception of the lease, the present value of the total of lease payments, amount to all the fair value of the leased asset.

General Fund
The main revenue account of the Council, which brings together all income and expenditure other than that recorded in the HRA and the Collection Fund.

Going Concern
The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.

Housing Revenue Account
A statutory account which local authorities have to maintain if they provide public housing, and which includes all income and expenditure relating to the administration and maintenance of council dwellings and related properties.

Impairment
A reduction in the value of a non-current asset below its value brought forward in the Balance Sheet.

Income
Amounts due to the Council in respect of services performed, taxes levied or grants receivable during the accounting period, irrespective of whether or not any movement of cash has taken place.

Infrastructure Assets
Non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Investments
Items such as company shares, other securities and money deposited with financial institutions (other than bank current accounts). A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long-term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.
Investments that do not meet the above criteria should be classified as current assets.

Investment Properties
Interests in land and/or buildings in respect of which construction work and development have been completed and which are held for their investment potential rather than for operational purposes, any rental income being negotiated at arm's length.

Liabilities
Amounts due to individuals or organisations which will have to be paid at some time in the future.

Leasing
A method of acquiring the use of an asset by paying a rental for a specified period of time, rather than purchasing it outright.

LOBO ("Lender Option Borrower Option")
A LOBO is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 50 years), initially at a fixed interest rate. Periodically (typically every 2 to 5 years), the lender has the ability to alter the interest rate. Should the lender exercise this option, the borrower then has the option to continue with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum with no other penalty.

Materiality
The concept that any omission from or inaccuracy in the statements of account should not be large enough to affect the understanding of those statements by a reader.

Minimum Revenue Provision (MRP)
A revenue charge in respect of the repayment of an element of the accumulated capital expenditure funded by borrowing, in accordance with MRP regulations.

Net Assets
Total Assets less total liabilities. This is the amount by which the total assets of the Council exceed its total liabilities, and equals the total Reserves of the Council.

Net Book Value
The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Defined Benefit Liability (asset)
The present value of the defined benefit obligation less the fair value of the plan assets (adjusted for the asset ceiling).

Net Interest Income (expense) – Pensions
The change during the period in the net defined benefit liability (asset) that arises from the passage of time. This includes allowance for interest on the current service cost.

Non-Current Assets
Tangible assets which have value to the Council for more than one year, e.g. land, buildings, equipment.

Non-Domestic Rates (NDR/Business Rates)
A tax levied on business properties, and sometimes known as Business Rates. Previously a Business Rates poundage was set annually by the government and rates, based on properties' rateable value, were collected by billing authorities and paid into a national pool. The proceeds were then redistributed by central government as a grant to local authorities in proportion to adult population. From 1 April 2013 new arrangements came into effect and Business Rates now follows a similar process to Council Tax with the Council retaining a proportion of business rates for use in the direct funding of its services.

Observable and unobservable inputs for fair value measurement

- Observable inputs are those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability;
- Unobservable inputs are inputs for which market data is not available and that are developed using the best information available to the Council about the assumptions that market participants would use when pricing the asset or liability.

Operating Lease
A lease where the risks and rewards of ownership of a non-current asset remain with the lessor. Such a lease will be for a fixed period which is significantly less than the useful economic life of the asset.

Past Service Cost
The change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or

withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by the plan).

Precept
A levy by one authority which is collected on its behalf by another, e.g. Stockport Metropolitan Borough Council collects Council Tax on behalf of the GMCA Mayoral Police and Crime Commissioner and the GMCA Mayoral General (including Fire Services).

Premiums and Discounts
Premiums and discounts arise on the early repayment and restructuring of debt.
The repayment sum will be higher than the principal amount borrowed if interest rates are presently lower than the loan rate (premium). The repayment sum will be lower than the principal amount if the current interest rates are higher than the loan rate (discount).
If Premiums and Discounts arise from debt re-scheduling they may be amortised over the lifetime of replacement loans where applicable.

Present value of defined benefit obligation
The present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Private Finance Initiative (PFI)
An initiative for utilising private sector funding to provide public sector assets.

Prior Year Adjustments
Material adjustments to the accounts of earlier years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Projected Unit Method
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

Provisions
Amounts set aside in the accounts for liabilities or losses which are certain or very likely to occur but where there is uncertainty as to the amounts involved or the dates on which they will arise.

Prudence

The concept that income should only be anticipated to the extent that it can be realised with reasonable certainty, whilst full and proper allowance should be made for all known and foreseeable losses and liabilities.

Public Works Loan Board (PWLB)
A Government agency which provides borrowing facilities to local authorities for the financing of capital expenditure.

Reserves
Reserves are split into usable reserves and unusable reserves. Usable reserves are those that derive from Council activities, and can be set aside to spend on services in future years. They include general and earmarked reserves and the capital receipts reserve. Unusable reserves include accounting reserves such as the pensions reserve, revaluation reserve and capital adjustment account, which derive from accounting adjustments and cannot be used for expenditure on services.

Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as balances, and usually arise as unplanned surpluses of income over expenditure.

Retirement Benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Contribution to Capital Outlay (RCCO)
Capital expenditure funded otherwise than from borrowings, grants, contributions or receipts.

Revenue Expenditure
Expenditure incurred on the day-to-day running of the Council, as opposed to items which will last for more than one year.

Revenue Expenditure Funded from Capital Under Statute
Expenditure which may properly be spread over more than one year but which does not result in, or remain matched with, tangible assets. An example of a revenue expenditure funded from capital under statute is a grant of a capital nature to a voluntary organisation.

Revenue Support Grant
A central government grant paid to each local authority to help to finance its general expenditure. The distribution of the grant between authorities is intended to allow the provision of similar standards of service throughout the country for a similar Council Tax levy.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Settlement
An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- the purchase of an irrecoverable annuity contract sufficient to cover vested benefits; and
- the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Subsidiary Undertaking
A subsidiary undertaking is an entity, including an unincorporated entity such as a partnership, which is controlled by the Council.

Transferred Debt
Debt which was created on 1 April 1986 on the dissolution of the former Greater Manchester Council and apportioned over the ten district councils of Greater Manchester, repayable annually on an annuity basis over the 36 years to 31 March 2022.

Vested Rights
In relation to a defined benefit scheme, these are:

- for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- for deferred pensioners, their preserved benefits;
- for pensioners, pensions to which they are entitled.