Bolton Council

# Statement of Accounts

# 2020/21

# Contents

# Narrative Report by the Deputy Chief Executive

## Introduction

The purpose of this Narrative Report is to provide information on the authority, its main objectives and strategies and the principal risks that it faces, as well as giving a commentary on how the authority has used its resources to achieve its desired outcomes in 2020/21.

As everyone will know 2020/21 has been far from a “normal” year. The impact of the COVID-19 pandemic began to be felt in late March 2020 as the country entered its first lockdown. My report last year contained not only a departmental narrative of outcomes during 2019/20 but also how the Council had instigated its Business Continuity Plans to deal with the initial impact. Clearly the events of the last 12 months have significantly affected how the Council functions, be it strategically, managerially or operationally as Bolton along with other local authorities have played a key role in responding to the pandemic. Further details on the Council’s reaction to COVID-19 can be found later in this report.

Notwithstanding the impact of the pandemic, the Council seeks to make best possible use of resources available with regard to economy, efficiency and effectiveness. This responsibility is shared by Members and officers of the Council, along with the Deputy Chief Executive’s specific role in ensuring the adequacy of resources and proper financial administration.

Since 2011 the Council has had to make cuts of around £155m, due to a combination of increased demands upon its services, cost pressures and funding cuts. The Council’s two-year budget strategy covering 2019/20 and 2020/21 has identified and delivered further cuts of £23.5m. Whilst the 100% business rates pilot has given us the opportunity to maximise the benefits of growth in our business rates within the borough, we still suffer from the impact of the already announced cuts in central government funding. Clearly this has impacted on the way the Council delivers its services, and on the number of staff that we employ. Since 2011 we have seen a reduction in staffing numbers of around 1,700 posts.

Each February the Council votes on the budget and sets the Council tax for the forthcoming year. For 20/21 the government has permitted councils to raise its council tax by 2% solely for adult social care. The 2020/21 budget set the Adult Social Care precept at its maximum 2% which went some way towards alleviating the pressures in that service. There was no increase in the general council tax levy.

A balanced revenue budget is achieved by ensuring any pressures in year are met from reserves. Our capital spend was £63m, and later in this narrative, examples of some of our major schemes are given. Our reserves have increased by £75m largely as a result of Section 31 (S31) grants received to cover business rates income foregone by the Retail and Hospitality sectors when they were granted relief by the Chancellor in March 2020. Within this figure are reserves that we hold for capital schemes, to protect against key areas of risk and to fund existing commitments. We also hold £10m of general balances as our overall contingency. Ultimately, we have around £18m which is available departmentally to be re-allocated during future financial years to support our priorities and financial strategy and continue to deal with significant demand pressures, thus supporting our future financial resilience.

The report is split into the following sections;

- Section One – the impact of COVID-19
- Section Two – Leadership and Governance
- Section Three – A summary of the Council's financial performance in 2020/21 including how money is spent and where it comes from
- Section Four – Future plans

This is all set against a background of continuing savings requirements, in order to produce a balanced budget each year.

## Section One

Over the past 12 months, the COVID-19 pandemic required all local authorities, including Bolton Council to rapidly refocus on public health. In response to this, the Council adapted its research approach, working with partners, to map the ways in which it is responding to the crisis and explore the implications of COVID-19 on ways of working. Bolton Council continues to play a crucial role in responding to the outbreak, providing essential information and services to residents and customers. Unsurprisingly, the COVID-19 pandemic has affected service delivery and has dominated the implementation of Council plans and policies.

In the summer 2020, the Council published its 'COVID-19 10 Point Response Plan', which highlighted the work carried out against ten key priority areas. An overview of our response to the pandemic during 2020/21 can be found below, combined with key deliverables, which are not directly related to the pandemic but have been priority outcomes for the Council.

| Response Priority | During 2020/21, Bolton Council has…. |
|---|---|
| **Deliver Our Statutory Health Responsibilities** | Provided public health expertise and advice across our health and care sector.<br><br>Developed intelligence and evidence-based frameworks to inform decision-making.<br><br>Developed a Health and Wellbeing Strategy and a COVID-19 Outbreak Control Plan, which transitioned into a COVID-19 Local Outbreak Management Plan.<br><br>Implemented a local Test, Trace and Isolate Service.<br><br>Produced and published Bolton's Joint Strategic Needs Assessment.<br><br>Further develop its Integrated Care Partnership (ICP), bringing together primary care, community health, mental health services and adult social care, building strong links to the voluntary and community sector, housing and the police.<br><br>Supported system planning and roll out of the vaccine for residents and staff, seeking ways to collaborate to |

| Response Priority | During 2020/21, Bolton Council has…. |
|---|---|
| | deliver this effectively and supporting Bolton wide coverage.<br><br>Carried out routine testing in care homes, established community swabbing function to enable testing of vulnerable housebound individuals (and specifically those requiring a test prior to admission to a care homes) and established Lateral Flow asymptomatic testing at 3 bases in Bolton, enabling routine testing of health and care staff.<br><br>Worked closely with the Primary Care, to develop a virtual ward to monitor patients with COVID-19 in their own homes using telephone / video link support. |
| **Target Our Efforts on Those Who Will Most Need Our Help and Support** | Supported the ICP to move to a formal alliance with an integrated operations arrangement and a single leadership structure, enabling a neighbourhood-based multi-agency model of care to progress.<br><br>Carried out extensive work to understand need and demand in our neighbourhoods, aligning our workforce and ensuring the estates and IT enables the new way of working.<br><br>Continue to develop a 'single front door' to health and care for local people.<br><br>Ensured the right capacity is in place to support residents who have been discharged from hospital<br><br>Led the ICP System COVID 19 Bronze response, ensuring coordinated delivery of services in the community and where needed enabling support to services and organisations through mutual aid and other recourses.<br><br>Co-ordinated a targeted support programme consisting of community volunteers, partners and Council staff, offering vital help to people who need support, including food and essential items such as medication and daily welfare calls. |
| **Target Support to Vulnerable People** | Created Bolton's COVID-19 Support Hub and dedicated hotline, providing vital services to over 4,000 most vulnerable members of the community.<br><br>Distributed Local Welfare Provision funding, to help residents in need of extra support.<br><br>Managed the Anti-Social Behaviour Vulnerable Victims Project, offering advocacy support to those most in need. |

| Response Priority | During 2020/21, Bolton Council has…. |
|---|---|
| | Ensured that over 600 children currently under the Council's care programme received appropriate support and guidance.<br><br>Produced and managed over 400 Child Protection Plans, working with external partners to ensure the safety, wellbeing & personal development of every child subject to a Plan.<br><br>Launched the expanded Early Help Service, focussing on the Bolton Family Model of social work practice and the introduction of the 'Integrated Front Door'.<br><br>Contributed to the sub-regional Foster Carer Recruitment Strategy.<br>Proactively managed increasing demand within Younger Adults Services, as the complexity of need increases, particularly relating to 'transforming care' customers.<br><br>Developed a Transition Team, dedicated to supporting adults with learning disabilities, creating new ways of working to ensure improved commissioning and better co-ordination of care.<br><br>Delivered an enhanced service, supporting homelessness and providing choice based lettings to those who require accommodation. |
| **Respond to Community, Faith and Neighbourhood Concerns** | Worked closely with the Voluntary, Community and Social Enterprise (VCSE) sector to ensure priority services were targeted at members of the community unknown to the Council and that key messages were distributed.<br><br>Distributed over £1.2m worth of investment to Bolton communities through the 'Bolton's Funds' programme, in partnership with dedicated voluntary organisations.<br><br>Provided funding for a dedicated Engagement Officer based within CVS, which provides support and advice to community and voluntary groups.<br><br>Worked with partners to develop an effective and sustainable engagement model for Bolton, understanding how area working, community champions and service-level engagement, will support community participation in shaping strategy, neighbourhood action, service design and delivery post-COVID-19. |

| Response Priority | During 2020/21, Bolton Council has…. |
|---|---|
| **Support Our Businesses** | Worked with GM Business Growth Hub to support over 9,000 local businesses, which have seen over a 50% reduction in sales across GM.<br><br>Applied business rate relief, to reduce budget pressures to local businesses.<br><br>Supported local businesses and their staff through the national furlough programme; over 14,000 people in Bolton were furloughed.<br><br>Co-ordinated a dedicated support portal and hotline for businesses affected by the COVID-19 pandemic.<br><br>Distributed Government Coronavirus Business Interruption Loans and Bounce Back Loans.<br><br>Offered a free property relocation service to Council and other sites<br><br>Delivered ongoing 1-2-1 support for start-up and growth businesses, particularly in the construction & manufacturing industries.<br><br>Adapted and delivered critical locality employment programmes, ensuring people have the skills and training required to seek employment.<br><br>Supported over 500 unemployed residents via initiatives such as The Workshop, Kickstart, Connexions and Careers and Skills for Employment Support 15-18yrs.<br><br>Supported over 1,400 residents into jobs, reducing the number of people on benefits.<br><br>Initiated the development of Bolton's Post-COVID Economic Recovery Plan.<br><br>Continued to develop plans to deliver the Town Centres & Major Developments Masterplan. We are assessing the impact the pandemic has had on our plans |
| **Support to Schools, Early Years and Other Educational Settings** | Held regular webinars with schools and early years provision to provide advice and updates on COVID-19 guidance, ensure a safe environment within educational facilities.<br><br>Carried out over 200 risk assessments, ensuring all facilities are COVID-19 compliant.<br><br>Continued working with DfE, Regional Schools Commissioner and Bolton school partnerships to create |

| Response Priority | During 2020/21, Bolton Council has…. |
|---|---|
| | additional school places where needed, as demand for places remain high.<br><br>Developed programmes to tackle the demand pressures in meeting the requirements of Special Educational Needs and Disability (SEND) pupils, particularly in terms of demand for Education Care and Health Plans (EHCP), creating a significant pressures on the High Needs block of the Dedicated Schools Grant.<br><br>Launched the 'Belonging in Bolton Strategy', alongside a revised SEND handbook and Joint Strategic Needs Assessment (JSNA), investing in a system response to inclusion and equity across learning, early help, school improvement and SEND.<br><br>Acknowledged that a review of commissioning and quality assurance of SEND provision is required over the next 12 months. |
| **Enhance Our Workforce Resilience** | Provided weekly staff updates to ensure all staff have the most up to date information and guidance.<br><br>Updated the staff handbook, which details how we, as an organisation, is working in a COVID-19 secure environment, with stringent risk assessments carried out in all Council offices.<br><br>Encouraged staff to use all guidance, advice and techniques provided through the 'Staff Wellbeing - Looking after yourself during COVID-19' intranet site.<br><br>Supported staff through our Employee Assistance Programme, offering confidential advice and information on a wide range of home and work-related issues.<br><br>Continued to provide training through our Organisational Development Team, focussing on mandatory and staff wellbeing training.<br><br>Continued to monitor sickness absence, ensuring resource is targeted at priority services to customers. |
| **Support Governance, Decision Making and Community Leadership** | Operated all Council meetings remotely through the use of online technology.<br><br>Supported elected members to enable them to undertake their duties remotely, including the distribution of an operating handbook.<br><br>Worked within a new Corporate Leadership Operating Framework, which outlines Leadership's role in meeting |

| Response Priority | During 2020/21, Bolton Council has…. |
|---|---|
| | the Council's corporate strategy and delivering the objectives set by the Cabinet which align with the 2030 Vision. |
| **Capture Financial Impact** | Distributed Government grants across service areas to aid cashflow.<br><br>Reported the financial impact of COVID-19 within the quarterly finance reports.<br><br>Produced a Strategic Budget Report aiding budget planning over the next 12 – 18 months.<br><br>Produced a medium term financial strategy (MTFS), which details the financial assumptions for the Council's budget processes, include a comprehensive list of savings reviews. |
| **Support the Evolution of Council Functions, Direction & Key Priorities** | Initiated the re-alignment of functions to ensure better service delivery effectiveness and beneficial cross-directorate working.<br><br>Strengthened corporate and strategic functions.<br><br>Digitalised back office functions to better support outcomes.<br><br>Begun to revise Council priorities, corporate business planning and Bolton's 2030 Vision Strategy, in light of COVID-19 impacts.<br><br>Devised a new Digital Strategy, which will support service transformation and change management, allowing for greater customer choice and better access to our services.<br><br>Support and help form the GM Clean Air Plan and associated action plan, following public consultation.<br><br>Formulated a Strategic Asset Management Plan (SAMP) – aiming to successfully manage our current/future estate, which will involve carbon management and reduction. |

The government has provided a significant number of funding streams to either support local government and associated partners or help the more vulnerable people in our society. Some funds were received in 2019/20 and hence were accounted for in that financial year, however the majority were received in 2020/21. Of these a number were

- specific grants to businesses where the Council acted as an agent and passed the money on

- grants where the Council had some discretion over where and how to apply funds
- funds to purchase food vouchers to distribute to vulnerable people
- funds to support initiatives to combat COVID-19 such as the Track and Trace and Infection Control grants

The government also granted relief to businesses in the hospitality and retail sector and in turn funded councils via a section 31 grant payment to offset the business rates foregone.

In total over £200m has been received by the Council to be used for the above. This is summarised in the table below with further details in section three.

| | Total (£m) |
|---|---|
| General Grants | 36.06 |
| Grants to Businesses | 122.44 |
| Specific Grants | 32.26 |
| Section 31 | 41.08 |
| Grand Total | 231.84 |

**Section Two – Leadership and Governance**

Political Leadership

Due to the COVID-19 pandemic the elections in May 2020 were postponed. The Conservative group continued its agreement with the Minority Opposition Groups with Councillor David Greenhalgh (Conservative) being Leader of the Council and Councillor Martin Cox (Conservative), Deputy Leader

The Borough is divided into 20 wards, each of which elects three Councillors. Each Councillor is elected for up to four years. The makeup of the Council as at 31st March 2021 was;

| | |
|---|---|
| Labour | 18 |
| Conservative | 16 |
| Liberal Democrats | 7 |
| Farnworth and Kearsley First | 4 |
| UK Independence Party (UKIP) | 2 |
| Horwich and Blackrod First Independents | 2 |
| Crompton Independents | 3 |
| The Bolton Independent Group | 3 |
| One Kearsley | 1 |
| Others (not in a group but not independent) | 2 |
| Vacant | 2 |
| Total | 60 |

The Council - the 60 councillors;

- decide the constitution
- agree policy framework
- agree the budget
- appoint the Leader for a term determined by the Council

The Leader;

- determines the size of the cabinet and appoints members of the cabinet determines the arrangements for delegation of the cabinet functions.
- also appoints a member of the cabinet as a deputy leader who will act in the leader's absence

The Cabinet

- is made up of the Leader of the Council, the Deputy Leader and eight Executive Cabinet Members. Its main role is to:-
  - implement the policies agreed by the Council
  - give political leadership
  - propose policy framework to the Council
  - propose the budget to the Council
  - make recommendations to the Council on broad policy issues

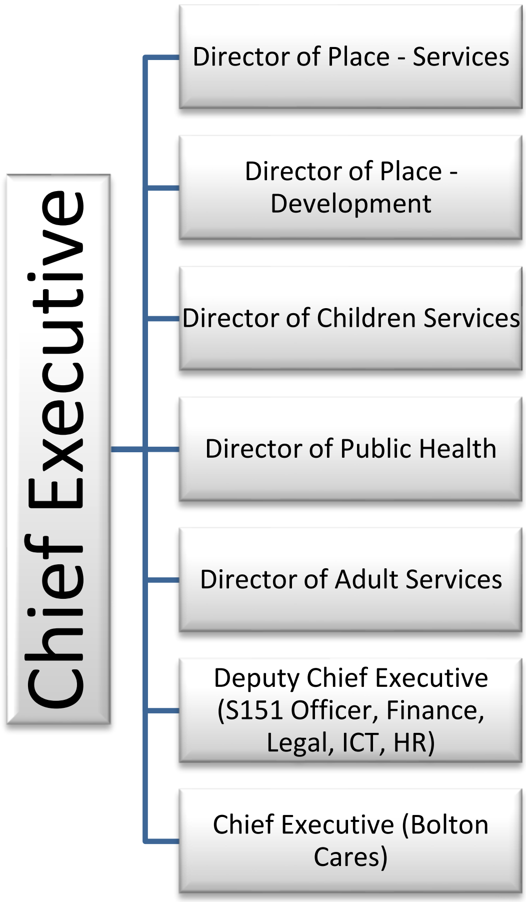
Executive Cabinet Members – the leader and the other executive cabinet members:

- work within an overall policy framework set by the Council
- have individual responsibility for key areas of work known as portfolios
- are accountable for their decisions which they take either as individuals or as the collective cabinet

For further details see https://www.bolton.gov.uk/cabinet-committees/cabinet-committee-meetings/1

Management Leadership

The top-level management structure as at March 2021 is shown below;




In September 2020 the People Directorate was split into two directorates – Children Services and Adult Services. The Director of Corporate Resources was re-designated as Deputy Chief Executive.

In March 2021 the Place Directorate was divided into Place Assets and Places Services. The rationale for this change is to ensure that the resources are used efficiently, even stronger ownership and accountability for all areas of the business, and also to reflect the Place Directorate Team wide ranging set of responsibilities.

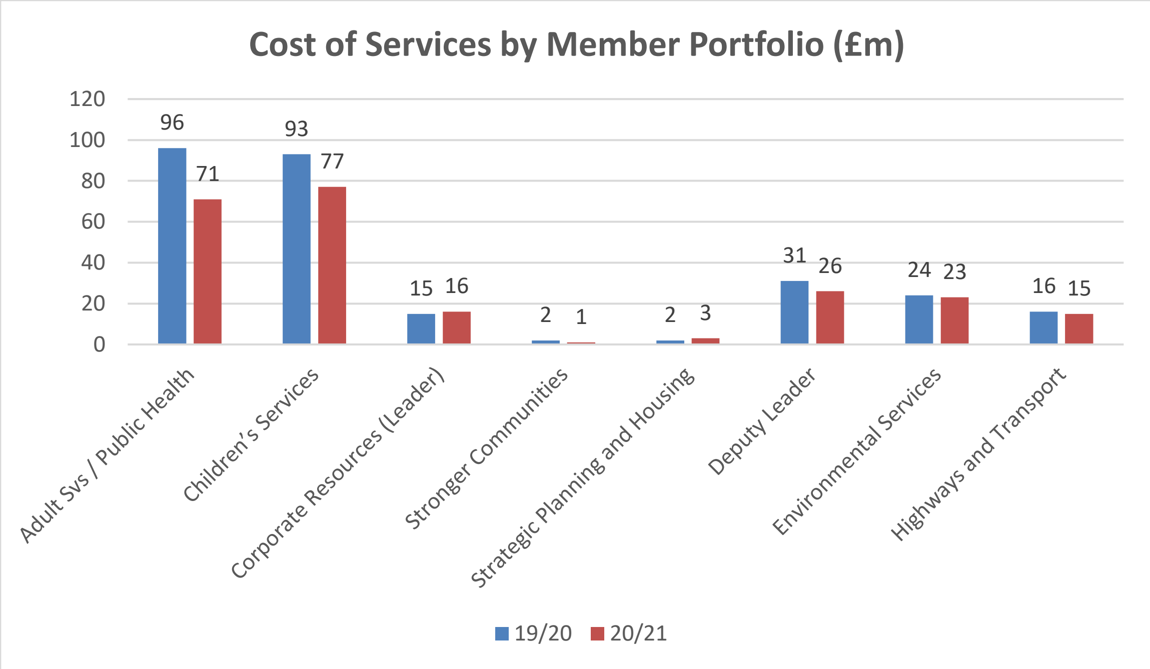
## Section Three - Overall Financial Summary

The Council seeks to make best possible use of resources available with regard to economy, efficiency and effectiveness. This responsibility is shared by Members and officers of the Council along with a specific role in ensuring the adequacy of resources and proper financial administration.

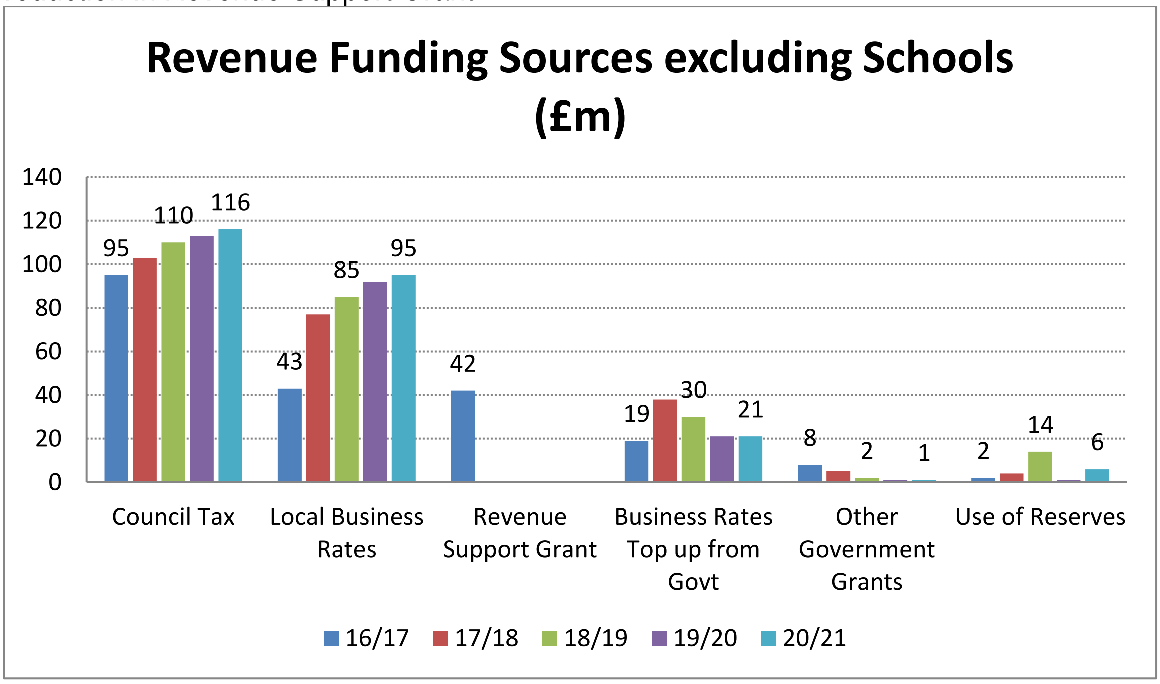
Since 2011 the Council has faced significant reductions in the grants it has received from Central Government, particularly in 2011 when a number of specific grants were lost but the equivalent amount was not transferred into Revenue Support Grant.

- This has resulted in savings having to be made which by the end of 2020/21 will amount to almost £190m. The two-year budget strategy covering 2019/20 to 2020/21 included a savings target of £23.5m and a further £6m contribution from reserves.

With regard to revenue budgets, the Council's directorates balance their budgets by making contributions to or from reserves as appropriate. Since 2016/17 a new analysis identifies what the cost of each service is before reserve transfers and how this balances to the overall funds available, based upon how services (portfolios) report to Executive Members. As this can change year-on-year, only 19/20 and 20/21 (restated to match any changes) are shown in the Expenditure Funding analysis below. The lower costs of services in Adult and Children's Services are the impact of additional grant income from MHCLG for both COVID and non-COVID related costs




The money to fund the budget above comes from either local taxpayers' in the form of Council tax or business rates or from various government grants. This is shown below from 2016/17 when the Adult Social Care Precept was first introduced. Local Business Rates increased in 2017/18 as part of the move to 100% retention which was offset by reduction in Revenue Support Grant



## Capital

The Council spent £63m on capital activities in 2020-21. Major capital schemes included the following;

| Scheme | £m | Description |
|---|---|---|
| Disabled Facilities Grants | 4.1 | Helping people stay independent longer through adaptations and modifications to their homes by reducing care and support needs. |
| Private Sector Renewal | 0.5 | Regeneration programme for home repairs helping people stay independent longer, linking decency, vulnerability and the economy. |
| Manchester Airport Drop and Go | 3.7 | Contribution towards new car parking facilities at Manchester airport |
| Manchester Airport Investment | 9.7 | Strategic investment in Manchester airport |
| Octagon Theatre redevelopment | 1.0 | Theatre redevelopment |
| Town Centre Strategy | 9.6 | Largely acquisition and demolition costs |
| Investments in Districts | 1.6 | |
| Primary & Special Schools Expansion Programme | 3.2 | Expansion of primary schools to meet addition pupil places needed. |
| Building Maintenance Plan | 0.6 | Ongoing maintenance for schools |
| Secondary Schools Expansion Programme | 1.5 | Expansion of secondary schools to meet addition pupil places needed. |
| DfT Highways LTP | 3.8 | Funding for essential maintenance to renew, repair and extend the life of roads |
| Highways investment | 4.9 | Additional investment in highways repairs |
| Bolton Salford Quality Bus Network | 2.2 | Funding for major junction/signal improvements to ease congestion. |
| Safe Streets Cycling & Walking | 0.7 | |

## COVID Grants Received in Year

Below is a list of various funding streams received / to be received by the Council since the start of the pandemic. It should be noted some were received in 2019/20, others due to be received in 2021/22. All have been / will be accounted in the appropriate financial year but are shown below for completeness. In total the Council has received around 50 funding streams, all of which have added an additional administrative and reporting burden on existing finance teams.

| Grant Received | £m | £m | Comment |
|---|---|---|---|
| General Grants | | | |
| Emergency Funding 1 | 9.25 | | Non-ringfenced funding to support councils with the COVID-19 pandemic |
| Emergency Funding 2 | 7.86 | | |
| Emergency Funding 3 | 2.91 | | |
| Emergency Funding 4 | 6.75 | | |
| Emergency Funding 5 | 9.12 | | |
| Local Authority Discretionary Grant | 0.17 | | |
| Sub-total | | 36.05 | |
| Grants to Businesses | | | |

| **Grant Received** | **£m** | **£m** | **Comment** |
|---|---|---|---|
| Business Support Grants | 59.18 | | Grants to be passed on to eligible businesses to support them during the COVID-19 pandemic |
| Discretionary Business Support Grants | 2.96 | | Business Grants allocated on a discretionary basis to support other eligible business categories |
| Local Restrictions Support Grant (Closed) pre 5 November | 0.21 | | Additional grants passed on to businesses to support them through the local lockdowns. Open grants were for businesses able to stay open but needing support. Closed grants were for businesses required to close but needing support ** these grants were discretionary payments * £2.6m of this was discretionary |
| Local Restrictions Support Grants | 0.59 | | |
| Local Restrictions Support Grant | 0.66 | | |
| Local Restrictions Support Grant (Open) ** | 2.35 | | |
| Local Restrictions Support Grant (Sector & Closed) | 4.64 | | |
| Local Restrictions Support Grant (Closed) Addendum | 7.30 | | |
| Local Restrictions Support Grant plus LRSG and ARG top up * | 24.83 | | |
| Additional Restrictions Grant ** | 6.08 | | |
| BEIS Restart Grant | 13.66 | | Grants paid to non-essential retail business premises, to help them reopen safely. The Restart Grant scheme supports businesses that are predominantly reliant on delivering in-person services for the general public in the aforementioned sectors |
| Sub-total | | 122.44 | |
| Specific Grants | | | |
| Additional DFG funding | 0.43 | | To help support local authorities to deliver more home adaptations for those people with disabilities who qualify for a DFG |
| Additional Lockdown Funding | 0.30 | | Advertising / signage etc.. To encourage people to stay safe |
| Compliance & Enforcement | 0.18 | | To support local authority compliance and enforcement activity, including COVID-19 secure marshals or equivalents |
| Contain Outbreak Management Fund | 4.93 | | The Fund is ring-fenced for public health purposes to tackle COVID-19, working to break the chain of transmission and protecting the most vulnerable |
| Contain Outbreak Management Fund / local enforcement / track trace | 2.30 | | |
| Contain Outbreak Management Fund (Additional) | 0.53 | | |
| Council Tax Hardship Fund | 3.46 | | To deliver relief to council tax payers during 2020/21 by reducing council tax liability using discretionary powers under S13A(1)(C) of the Local Government Finance Act 1992 |
| COVID Winter Grant Scheme | 1.11 | | |

| Grant Received | £m | £m | Comment |
|---|---|---|---|
| Support to Clinically Extremely Vulnerable individuals | 0.50 | | To support those most in need across England with the cost of food, energy and water bills and other associated costs |
| DEFRA Food and essentials | 0.41 | | |
| Easter Funds | 0.39 | | |
| DHSC Rapid Testing | 0.58 | | |
| Extension to Test and Trace Self Isolation Scheme | 0.31 | | |
| Funding from CCG | 6.43 | | The CCG are covering a percentage of the additional costs being borne by the Council |
| Infection Control Fund (1) | 2.30 | | To help support infection control in care homes and other care settings |
| Infection Control Fund (2) | 2.70 | | |
| Next Steps Accommodation Programme | 0.13 | | Bid funding used to rapidly support those in COVID-19 emergency accommodation. |
| Practical Support for those Self Isolating | 0.08 | | |
| Sales, fees & charges round 1 | 0.64 | | Compensation to authorities for irrecoverable and unavoidable losses from sales, fees and charges income generated in the delivery of services |
| Sales, fees & charges round 2 | 1.31 | | |
| Sales, fees & charges round 3 | 0.20 | | |
| Track & Trace | 2.00 | | |
| Track and Trace Discretionary | 1.06 | | |
| Sub-total | | 32.27 | |
| S31 | | | |
| Additional business rate reliefs for Hospitality & Retail (s31) | 36.15 | | Provided to councils to offset business rates foregone in the retail and hospitality sector |
| S31 Hospitality Additional Payment | 4.66 | | |
| Local Tax Income Guarantee | 0.27 | | Compensation for the reduction in payable taxation |
| Sub-total | | 41.08 | |
| | | | |
| Total | | 231.84 | |

**Reserves & Balances –**

Our reserves at the end of March 2021 were £214m, an increase of £75m since March 2020. The main reason for this increase is the additional S31 grants we received at the start of 2020/21 in lieu of business rates for the hospitality and retail sector. These grants cannot be accounted for in the Collection Fund within 2020/21, hence are attributed to the General Fund until 2021/22. There are also some COVID-19 grants received for which expenditure will be incurred in 2021/22.

Additionally, there are reserves that we hold for capital schemes, to protect against key areas of risk and to fund existing commitments. We also hold £10m of general balances as our overall contingency. Ultimately, we have around £32m which is available to be re-allocated during future financial years to support our priorities and financial strategy and continue to deal with significant demand pressures. Reserves are split into 3 types:

- Capital Reserves – Can only be used for capital projects. The Council had £45m (£50m in 2019/20) of capital reserves at the end of 2020/21.

- General Fund Balances and Revenue Reserves

    - General Fund Balances - The Council is required to keep a level of general reserves to fund unexpected demands and exceptional cost increases. Council approved that as a minimum Balances should be maintained at £10m, but if possible, should be at a higher level. During 2020/21 General Fund balances remained static at £10.66m.
    - Revenue Reserves – Unlike capital reserves, revenue reserves can be used for either capital or revenue projects. Of the total amount held at the end of the financial year, £71m (£46m in 2019/20) related to reserves held by departments and corporately for the following reasons:
        - Legal/statutory requirements
        - To fund existing commitments
        - To cover key areas of future spend
        - To cover key areas of risk
        - Service contingencies
    - Of this £71m, £18m is held departmentally to be re-allocated during future financial years to support our priorities and financial strategy and continue to deal with significant demand pressures.
    - All other revenue reserves are held on behalf of clients, schools and to provide insurance cover.

**<u>Collection Fund</u>**

The accounting for Council Tax and Business Rate is pre-set at the February budget council meeting prior to the beginning of the financial year. When the Council subsequently received additional S31 grant to offset business rates not collected at the outset of the COVID-19 pandemic, these funds legally have to be credited to the Council's General Fund (as opposed to the Collection Fund where it would ordinarily have gone had they been known when the budget was set), until the following year. As a result, there is a large discrepancy (and hence deficit) between business rate budgeted for in February 2020 and business rates collected at the end of March 2021. The table below is a snapshot of Collection Fund movements in the year (i.e. excludes the previous year's surpluses)

| | Business Rates £m | Council Tax £m | Total £m |
|---|---|---|---|
| Per Budget | 82.40 | 115.90 | 198.30 |
| Actual Income in Year | 39.90 | 114.50 | 154.40 |
| Surplus / (Deficit) | (42.50) | (1.40) | (43.90) |
| Funded by; | | | |
| S31 | 40.40 | n/a | 40.40 |
| (Deficit) in year | (2.10) | (1.40) | (3.50) |

Normally any surplus or deficit on the Collection Fund is carried forward to the following year's budget. For 2020/21 the Government has legislated that any Collection Fund deficit can be spread over the following three financial years so has no impact on the 2020/21 accounts. This means that £3.5m is spread over the financial years 2021/22, 2022/23 and 2023/24. Clearly there remains considerable uncertainty around Business Rates and Council Tax income and this will continue to be closely monitored throughout 2021/22

**Group Balance sheet**

| | As at 31/3/2020 £m | As at 31/3/2021 £m |
|---|---|---|
| Property Plant & Equipment | 599 | 600 |
| Other Long Term Assets | 170 | 184 |
| Current Assets | 152 | 168 |
| Current Liabilities | (70) | (73) |
| Long Term Liabilities | (567) | (762) |
| **Net Assets** | **284** | **117** |
| Represented by; | | |
| Usable Reserves | 137 | 227 |
| Unusable Reserves | 147 | (110) |
| **Total Reserves** | **284** | **117** |

## Section Four – Future Plans & Associated Risks

The Council is facing continued significant cost pressures arising from increased demand for services. In addition, the full economic impact of the pandemic remains to be seen as the Furlough Scheme doesn't end fully until the Autumn. A number of businesses have failed to survive over the last year and the impact of higher unemployment and potential business failures will have an effect on the Council's two main funding streams.– Council Tax and Business Rates income.

At its Budget Council meeting in February 2021 savings of £37m were approved for the financial years 2021/22 and 2022/23, of which £32m are required in 2021/22. These savings need to be found from an even smaller base and will mean by the end of 2022/23 the Council will have found savings of around £225m since 2011. A full programme of work had been established to deliver the savings target over the two-year period. A summary Medium Term Financial Strategy is included below;

| | 21/22 Forecast £m | 22/23 Forecast £m | 23/24 Forecast £m |
|---|---|---|---|
| Expenditure | 481.2 | 456.3 | 462.6 |
| Income | 448.9 | 452.3 | 459.5 |
| **(Deficit) / Surplus** | **(32.3)** | **(4.0)** | **(3.1)** |
| Funded by; | | | |
| Savings requirement | 32.3 | 4.0 | 3.1 |

As has become apparent over the last 12 months COVID-19 will not simply go away and will undoubtedly leave a lasting legacy. The Council will continue to work closely with central government and the health service to support businesses and residents across the Council.

## Fair Funding Review (FFR)

As part of the 2016/17 finance settlement, it was announced there would be a Fair Funding Review of authorities' funding needs, initially to be implemented in 2019/20. Due to the 2017 general election, in September 2017 it was announced that such a review would initially be implemented in 2020.

The FFR has been delayed again, this time due to COVID-19 and will not happen until 2022/23 at the earliest. The section below provides some narrative as to what FFR will achieve and how it will be implemented.

Per the MHCLG terms of reference the FFR will:

- Set new baseline funding allocations for authorities
- Look at an assessment of needs and resources of authorities

Any financial planning is underpinned by the following key principles:

- Prudent assessment of future resources and unfunded cost pressures
- Maximisation of income generated across all areas of the Council and prompt collection of all amounts owed to the Council / minimisation of bad debts
- Prudent assessment of provisions required to mitigate potential future liabilities
- Risk-assessed level of reserves and balances held corporately to mitigate potential financial liabilities / commitments
- Maximisation of capital receipts from asset disposals to fund capital investment in line with our priorities.
- Maximisation of external grant funding that meets our priorities
- Prudent use of the Council's borrowing powers to undertake capital investment that is not funded by capital receipts, grants or contributions from third parties
- Promotion of 'invest to save' opportunities via detailed assessment of business cases
- Full integration of revenue and capital financial decision-making processes, to ensure the revenue implications of capital projects are accurately reflected in the medium-term financial plan and the annual budget
- Production of detailed implementation plans for all savings proposals
- Sign-off of all revenue budgets by the relevant senior manager before the start of the financial year
- Regular monitoring of budgets and robust management action to address any unplanned variances that arise

## Business Rates

The government has deferred again the move to 75% business rates retention until 2022/23 at the earliest. When this occurs the local retention rate will be 75%. The overriding assumption is that any changes to business rates retention is fiscally neutral. In 2020/21 the Chancellor announced at the Budget that reliefs would be provided for 2020/21 covering Leisure and Hospitality for 2020/21. This further reduced our expected local collection of business rates by around £40m. These funds were then re-imbursed via S31 grant from government. At the March 2021 budget the Chancellor announced the government would continue to provide eligible retail, hospitality and leisure properties in England with business rates relief albeit tapered from July onwards. Local authorities will be fully compensated for the loss of income as a result of these business rates measures.

At some stage there will also be a business rates re-set. This may take the form of either a full re-set or partial re-set. What this means is that any business rates growth above what the Council is expected to achieve over and above its baseline may either be fully taken or partially taken off the Council. The government's rationale is that the overall business rates growth since the previous re-set in 2013 will be circa £2bn (if it's a full re-set), which it can then re-distribute to Councils. However, the impact of COVID-19 on the economy could well make a significant difference to future funding.

Business rates pooling was introduced as part of the business rates retention scheme in April 2013. Under the pooling arrangement if the Pool in aggregate is a top up pool it can retain any levy on growth from tariff authority members that would have otherwise been payable to central government. However, when councils collect insufficient business rates according to a pre-determined formula they are deemed to enter "safety net". Funding for this comes either from central government, or from the Pool.

Given the level of risk and uncertainty around rates collection in 2021/22, cessation of the extended retail and nursery relief and the significant increase in check and challenge received by the VOA relating to COVID-19, there is a genuine risk that a member authority will fall into a safety net position next year.

Due to the risks outlined the Pool has now formally been dissolved meaning safety net assistance would no longer come from the Pool.

## Capital Programme

Due to budget constraints the Council's general capital programme has been severely restricted over the last few years. The Town Centre Strategy has resulted in an additional £100m resources for this programme. That aside, new capital programme initiatives are primarily being funded from capital receipts, for example from the sale of land or departmental capital grants.

## Treasury Activity

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The Council currently has £178m of long-term debt. Cash investments (which are for a period of less than 1 year) vary from month to month and were £75m at the end of 2020/21.

## Future Risks

Clearly the COVID-19 pandemic has had and will continue to have an impact on the Council's finances and ways of operating. This could be in the form of additional cuts when the government tries to balance its books or from reduced business rates or council tax should the country go into recession. The Chancellor has committed to unprecedented levels of funding (and as a result government borrowing) to try and ensure the economy avoids, as far as possible, a recession as the country leaves the lockdown during 2021/22.

Given the continued reductions in government grant levels, the growing, unavoidable expenditure pressures, and, as a consequence, the scale of reductions required, there is inevitably a large degree of risk when undertaking any future financial planning.

Other risks include;

**Continual need to achieve further savings**
Local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting; that is, the financial statements shall be prepared on the assumption that the functions of the

authority will continue in operational existence for the foreseeable future. However as noted above the Council has a savings programme to realise the £37m savings in 2021/22 and 2022/23. As the Council's budget base reduces this makes it more difficult to find extra savings. Should the savings target not be achieved in 2021/22 the budget will need to be balanced from reserves.

**Global Economy / "Brexit" / COVID-19.**
External factors including volatility in the Eurozone and oil prices may impact upon the Chancellor being able to balance his own budget with a potential impact of further cuts on Local government. The UK left the European Union in December 2020 and there continues to be debate about what the impact this will have on the UK economy. The impact of COVID-19 has meant that a number of policy decisions have been pushed back in the parliamentary timetable.

**Demand Led Budgets**
Even with the creation of the LATC the continuing increase in the elderly population will continue to put more pressure on Children's and Adult Services' budgets. The Council again raised a levy of 2% on its Council Tax payers in 2020/21 for Adult Social Care and has done so again in 2021/22.

**Legislation / Funding changes**
Since 2013 business rates collected by the Council have been distributed 50% to Central Government, 1% to Fire with 49% retained by the Council. As part of the 2020/21 finance settlement Bolton, along with the other GM authorities was given continued approval to be part of a 100% pilot scheme meaning that Councils retain 100% of their business rates with 1% passed to the Fire Authority. 100% business rates retention continues into 2021/22 and it is government's intention it will reduce to 75% at some stage

## An explanation of which statements follow, their purpose and relationship between them

The remainder of this document is the Council's Statement of Accounts for the year ending 31 March 2021 and has been prepared in accordance with the 2020/21 Code of Practice on Local Authority Accounting (The Code) and International Financial Reporting Standards (IFRS). Changing requirements over the years have led to the increasing complexity and detail required in the accounts.

**The Movement in Reserves Statement (MIRS)**
This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and other reserves.

**The Comprehensive Income and Expenditure Statement (CIES)**
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. From 2016/17 onwards, this has been amended to be consistent with the Council's internally reporting format.

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

**The 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 Code requires that the Council's accounts are set out with the 4 core financial statements grouped together. Supplementary statements and Group accounts are also produced where applicable including;

**Expenditure and Funding Analysis (EFA)**
The Expenditure and Funding Analysis shows how annual expenditure is used and funded from annual resources (government grants, rents, council tax and business rates). The Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement

**The Collection Fund Revenue Account.**
This reports on the collection of local taxes (Council tax and national non-domestic rates) and their distribution to the Council, Greater Manchester Police and Greater Manchester Fire and Rescue authorities.

**Group Accounts**
These have been prepared in respect of the Council's ownership of Bolton Cares Ltd and PSP Facilitating Ltd

**Annual Governance Statement.**
This statement explains the system of controls operating within the Council to secure sound financial control and good governance. It is not a requirement to include this within the Financial Statement, but it is considered beneficial to include this here.

The accounts are supported by the Statement of Accounting Policies and a glossary of financial terms that are contained within the Statement.

**Acknowledgements**

Finally, I would like to thank all the finance staff across the Council who helped contribute to this Statement and continue to work professionally under ever increasing competing demands. This has never been more evident than the pressures brought about by COVID-19.

Sue Johnson
Deputy Chief Executive
17th November 2021

## 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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (EFA) and the Movement in Reserves Statement (MIRS).

| 2019/20 restated | | | | | 2020/21 | | |
|---|---|---|---|---|---|---|---|
| £000s | £000s | £000s | | | £000s | £000s | £000s |
| Expenditure | Income | Net | | Note | Expenditure | Income | Net |
| 141,949 | (45,820) | 96,129 | Adult Services and Public Health | | 150,371 | (79,450) | 70,921 |
| 316,472 | (223,540) | 92,932 | Children's Services | | 319,155 | (242,087) | 77,068 |
| 117,917 | (102,425) | 15,492 | Leader | | 112,653 | (96,144) | 16,509 |
| 41,428 | (10,805) | 30,623 | Deputy Leader | | 39,039 | (12,790) | 26,249 |
| 2,946 | (1,256) | 1,690 | Strategic Planning and Housing | | 7,404 | (4,541) | 2,863 |
| 4,198 | (3,955) | 243 | Environment Regulatory | | 4,513 | (2,097) | 2,416 |
| 51,264 | (27,627) | 23,637 | Environment Delivery | | 37,577 | (17,278) | 20,299 |
| 22,175 | (6,574) | 15,601 | Highways and Transport | | 22,599 | (7,233) | 15,366 |
| 2,842 | (439) | 2,403 | Stronger Communities | | 3,316 | (1,913) | 1,403 |
| 9,344 | (13,406) | (4,062) | Financial Services | | 13,113 | (33,911) | (20,798) |
| **710,535** | **(435,847)** | **274,688** | **Cost of Services** | | **709,740** | **(497,444)** | **212,296** |
| | | | **Other operating expenditure** | | | | |
| | | 13,323 | Loss on disposal of property plant & equipment | | | | 11,974 |
| | | (2,142) | Right to Buy Receipts | | | | (1,803) |
| | | 35,731 | Levies | | | | 37,268 |
| | | 402 | Parish Precepts | | | | 422 |
| | | **47,314** | **Total Operating Expenditure** | | | | **47,861** |
| | | 2,158 | Financing & investment income and expenditure | **34** | | | 11,568 |
| | | (239,064) | Taxation & non-specific grant income | **35** | | | (251,890) |
| | | **85,096** | **Deficit/(surplus) for year** | | | | **19,835** |

| 2019/20 restated | | | | | 2020/21 | | |
|---|---|---|---|---|---|---|---|
| £000s | £000s | £000s | | | £000s | £000s | £000s |
| Expenditure | Income | Net | | Note | Expenditure | Income | Net |
| | | (10,136) | (Surplus)/deficit on revaluation of Property, Plant & Equipment | | | | (22,744) |
| | | 22,675 | (Surplus)/deficit on Financial Instruments held at Fair Value through Other Comprehensive Income | | | | (2,050) |
| | | (144,988) | Remeasurements of the net defined benefit liability | **42** | | | 170,201 |
| | | **(132,449)** | **Other comprehensive Income** | | | | **145,407** |
| | | **(47,353)** | **Total Comprehensive Income and Expenditure** | | | | **165,242** |

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed between "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. Movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments chargeable to council tax for the year. The net increase/decrease line shows the statutory General Fund balance movements in the year following these adjustments.

| Summary MIRS | General Fund Balance | General Fund Balance – Collection Fund Reserve | Earmarked General Fund Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves | Total Council reserves |
|---|---|---|---|---|---|---|---|---|
| | £000s | £000's | £000s | £000s | £000s | £000s | £000s | £000s |
| **Balance 1 April 2019** | **10,660** | **0** | **98,217** | **13,944** | **41,671** | **164,492** | **74,718** | **239,210** |
| Total Comprehensive Income and Expenditure | (85,096) | | | | | (85,096) | 132,452 | 47,356 |
| Adjustments from income & expenditure charge under the accounting basis to the funding basis (Note 10) | 72,118 | | | 47 | (12,294) | 59,871 | (59,871) | 0 |
| Increase or (Decrease) in 2019/20 | (12,978) | | | 47 | (12,294) | (25,225) | 72,581 | 47,356 |
| Transfers to/from earmarked reserves (Note 9) | 12,978 | | (12,978) | 3 | 0 | 3 | (3) | 0 |
| **Balance at 31 March 2020 carried forward** | **10,660** | **0** | **85,239** | **13,994** | **29,377** | **139,270** | **147,296** | **286,566** |
| | | | | | | | | |
| **Balance 1 April 2020** | **10,660** | **0** | **85,239** | **13,994** | **29,377** | **139,270** | **147,296** | **286,566** |
| Schools Budget Deficit to new Adjustment Account | | | 5,147 | | | 5,147 | (5,147) | 0 |
| Total Comprehensive Income and Expenditure | (53,566) | 45,145 | | | | (8,421) | (156,821) | (165,242) |
| Adjustments from income & expenditure charge under the accounting basis to the funding basis (Note 10) | 92,023 | | | (3,633) | 6,265 | 94,655 | (94,655) | (0) |
| Increase or (Decrease) in 2020/21 | 38,457 | 45,145 | | (3,633) | 6,265 | 86,234 | (251,476) | (165,242) |
| Transfers to/from earmarked reserves (Note 9) | (38,457) | 0 | 38,457 | 3 | 0 | 3 | (3) | 0 |
| **Balance at 31 March 2021 carried forward** | **10,660** | **45,145** | **128,843** | **10,364** | **35,642** | **230,654** | **(109,330)** | **121,324** |

## 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, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those 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 were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

| 31 March 2020 £000s | | Note | 31 March 2021 £000s |
|---:|---|:---:|---:|
| | **Property, Plant & Equipment** | | |
| 435,249 | - Other land and buildings | **11** | 441,748 |
| 7,214 | - Vehicles, plant, furniture & equipment | **11** | 4,245 |
| 136,135 | - Infrastructure | **11** | 141,786 |
| 10,218 | - Community assets | **11** | 10,241 |
| 9,699 | - Assets under construction | **11** | 1,233 |
| 717 | - Surplus assets | **11** | 735 |
| **599,232** | | | **599,988** |
| 69,131 | Heritage assets | **12** | 69,131 |
| 35,672 | Investment property | **13** | 35,421 |
| 55 | Intangible assets | **14** | 0 |
| | | | |
| 32,414 | Long Term Investments | **15** | 38,204 |
| 29,739 | Long Term Debtors | **15** | 38,866 |
| **766,243** | **Long Term Assets** | | **781,610** |
| | | | |
| 70,321 | Short Term Investments | **15** | 75,177 |
| 652 | Inventories | **17** | 859 |
| 37,341 | Short Term Debtors | **18** | 42,398 |
| 5,711 | Prepayments | | 6,630 |
| 36,023 | Cash and Cash Equivalents | **20** | 40,179 |
| **150,048** | **Current Assets** | | **165,**243 |
| | | | |
| (1,818) | Short Term Borrowing | **15** | (1,815) |
| (61,937) | Short Term Creditors | **21** | (48,865) |
| (3,459) | Provisions for current liabilities | **22** | (4,654) |
| (2,079) | Revenue Grants in Advance | **36** | (17,744) |
| **(69,293)** | **Current Liabilities** | | **(73,078)** |

| 31 March 2020 £000s | | Note | 31 March 2021 £000s |
|---|---|---|---|
| (18,412) | Provisions for long term liabilities | **22** | (19,801) |
| (178,589) | Long Term Borrowing | **15** | (178,572) |
| (7,543) | Other Long Term Liabilities | **15** | (5,456) |
| (355,888) | Net Pensions Liability | **42** | (548,622) |
| **(560,432)** | **Long Term Liabilities** | | **(752,451)** |
| **286,566** | **Net Assets** | | **121,324** |
| | **Represented by:** | | |
| | **Usable Reserves** | | |
| 10,660 | - General Fund Balance | **9** | 10,660 |
| 0 | - General Fund Balance – Collection Fund | **9** | 45,145 |
| 6,876 | - Earmarked Statutory Reserves | **9** | 13,360 |
| 78,363 | - Earmarked Policy Reserves | **9** | 115,483 |
| 13,994 | - Capital Receipts Reserve | | 10,364 |
| 29,377 | - Capital Grants Unapplied Account | | 35,642 |
| **139,270** | | | **230,654** |
| | **Unusable Reserves** | **9** | |
| 231,421 | - Revaluation reserve | | 244,573 |
| 20,300 | - Financial Instruments Revaluation Reserve | | 22,350 |
| (12,423) | - Financial Instruments Adjustment Account | | (12,120) |
| (355,888) | - Pensions Reserve | | (548,622) |
| 10,517 | - Deferred capital receipts | | 10,517 |
| 255,219 | - Capital Adjustment Account | | 238,960 |
| 0 | - Dedicated Schools Grant Adjustment Account | | (16,561) |
| 1,877 | - Collection Fund Adjustment Account | | (43,268) |
| (3,727) | - Short-term Accumulating Compensated Absences Account | | (5,159) |
| **147,296** | | | **(109,330)** |
| **286,566** | **Total Reserves** | | **121,324** |

## 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.

| **31 March 2020 £000s** | | **Note** | **31 March 2021 £000s** |
|---|---|---|---|
| 85,096 | Net (surplus) or deficit on the provision of services | | 19,835 |
| (112,884) | Adjustments to net (surplus) or deficit on the provision of services for non-cash movements | **23** | (75,462) |
| 12,714 | Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities | **24** | 21,891 |
| **(15,074)** | **Net cash flows from Operating Activities** | **25** | **(33,736)** |
| (14,114) | Investing Activities | **26** | 27,492 |
| 13,363 | Financing Activities | **27** | 2,088 |
| **(15,825)** | **Net (increase) or decrease in cash and cash equivalents** | | **(4,156)** |
| | | | |
| 20,198 | Cash and cash equivalents at the beginning of the reporting period | | 36,023 |
| 15,825 | (Decrease) or Increase in cash as above | | 4,156 |
| **36,023** | **Cash and cash equivalents at the end of the reporting period** | **20** | **40,179** |

# Notes to the Core Financial Statements

## Contents

## 1 Accounting Policies

### General Principles

The Statement of Accounts summarises the authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets. The Statement of Accounts has been prepared on a 'going concern' basis, on the assumption that the Council will be in existence for the foreseeable future.

### 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. In particular:

- Fees, charges and rents due from customers are accounted for as revenue when (or as) the Council provides the relevant goods or services in accordance with the performance obligations in the contract.
- 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.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Employee costs are charged to the accounts of the period within which the employees worked. Accruals have been made for wages earned but unpaid at the year-end.
- Interest payable on borrowings and receivable on investments is accounted for 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 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 mature within 1 working day of the balance sheet date and that are readily convertible to known amounts of cash with insignificant risk of change in value. 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.

### Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the cost of holding non-current 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 they can be written off
- amortisation of intangible assets attributable to the service.

The Council is not required to raise Council tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by revenue provision in the Movement in Reserves Statement (MIRS), by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

### Council Tax and Non-domestic Rates

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

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

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

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, the asset is written down and a charge made to the financing and investment income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

### Employee Benefits

#### a) 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 and bonuses 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 MIRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

**b) 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 and are charged on an accruals basis to the appropriate service in the CIES 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 MIRS, 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.

**c) Retirement Benefits**

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DFE).
- The National Health Service Pensions Scheme.
- The Greater Manchester Pensions Scheme, administered by Tameside Council.

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

However, the arrangements for the teachers' and the NHS schemes mean that liabilities for these benefits cannot be identified to the Council. The schemes are therefore accounted for as if they were defined contributions schemes – no liability for future payments of benefits is recognised in the Balance Sheet and the service revenue account is charged with the employer's contributions payable to the teachers' and NHS pensions in the year. The Children's services line in the CIES is charged with the employer's contributions payable to Teachers' Pensions in the year. The Adult Services and Public Health line in the CIES is charged with the employer's contributions payable to the NHS Pensions scheme in the year.

**d) The Local Government Pension Scheme**

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

The liabilities of the Greater Manchester pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit 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 discounted rate based on a corporate bond yield curve constructed on the constituents of the iBoxx AA corporate bond index.

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's liability is analysed into seven components:

- current service cost – the increase in liabilities as result of years of service earned this year – allocated in the CIES to the revenue accounts of services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES
- interest cost – the expected change in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the CIES
- return on assets – return on plan assets and interest income recognised on scheme assets at the same rate as used to discount liabilities – credited to the Financing and Investment Income and Expenditure line in the CIES
- gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs
- 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
- 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 MIRS, 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 to the fund 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.

### e) 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.

### Events After the Reporting Period

Events after the Reporting Period 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
- 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.

The Statement of Accounts was authorised for issue on 18th June 2021 by the Deputy Chief Executive (Section 151 Officer). Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings 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 authority 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 authority 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 authority 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 authority'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 authority 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.

**Financial Instruments**

**a) 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 CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the Council’s borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus any accrued interest), and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, 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 CIES 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 MIRS.

**b) Financial Assets**
Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. In line with the new standards for IFRS9, there are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authority’s business model is achieved through collecting contractual cash flows and selling financial assets. Financial assets are therefore classified at amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

**c) Financial Assets Measured at Amortised Cost**
Financial assets measured at amortised cost are recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES 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 financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus any accrued interest) and interest credited to CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### d) Financial Assets Measured at Fair Value through Profit and Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

An equity instrument that has been classed as FVPL can be designated as FVOCI if it is not held for trading (e.g. a strategic investment). Once this designation has been made it cannot be reversed. This designation would mean that any gains and losses would be held in the Financial Instruments Revaluation Reserve.

### e) Fair Value through Other Comprehensive Income (FVOCI)

Financial Assets measured at FVOCI relates to financial instruments where the business model is achieved both through collecting contractual cash flows and selling financial assets.

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

Under capital accounting regulations where these assets were treated as capital expenditure the gain or loss are reversed to an unusable reserve – the Capital Adjustment Account.

### f) Expected Credit Loss Model

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

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.

The authority has a number of loans to local businesses. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis. It has therefore assessed losses for the portfolio on a collective basis unless local knowledge indicates that a different loss profile is appropriate.

**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 CIES until conditions attached to the grant or contribution have been satisfied. 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 CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MIRS. 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.

**Heritage Assets**

All the Council's Heritage Assets are tangible in nature. There are no intangible Heritage Assets.

Heritage Assets comprise items held by the Library and Museum Service, including Civic regalia, furniture, commemorative items and silver tableware, plus two historic buildings. These assets are intended to be held in trust for future generations because of their cultural, environmental or historical associations. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) 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. The Council's collections of Heritage Assets are accounted for as follows:

**a) Heritage Assets – General**

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, for example, where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

In the event of sales, the proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see elsewhere in Accounting Policies).

With regard to everything else an annual request is made to the Museums and Galleries officers to ensure there has been no significant changes to the collection which would affect the underlying valuation. If there were so, the collections would be independently valued

**b) Historic Buildings**

The Council owns two historic buildings, Smithills Hall and Hall i' th' Wood, both of which are open to the general public. Smithills Hall was purchased by the Council in the 1930s and Hall i' th' Wood was presented as a gift in 1902.

These are held on the balance sheet at depreciated replacement cost. These assets are also deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

**Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected to bring benefits to the Council for more than one financial year.

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 re-valued 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 CIES.

Intangible assets are tested for impairment whenever there is an indication that an asset might be impaired – any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the CIES.

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 MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

**Interests in Companies and Other Entities**

The Council has a material interest in 2 external entities that have the nature of subsidiaries, associates or joint ventures and therefore group accounts have been prepared.

Inclusion in the Council's group is dependent upon the extent of the Council's interest and power to influence an entity. The determining factor for assessing the extent of interest or power to influence is either through ownership of an entity, a shareholding in an entity or representation on an entity's board of directors.

An assessment of all the Council's interests has been carried out during the year, in accordance with the Code of Practice, to determine the relationships that exist and whether they should be included in the Council's group accounts.

In the Council's own single-entity accounts the Council's interest in those entities are recorded as financial assets at cost less any impairment. Any gains or losses are recognised in the CIES.

**Inventories and long-term contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long-term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

**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 re-valued on a maximum 4-yearly cycle. However, for investment properties the top 50 by value are valued annually as they account for 80% of the overall investment property portfolio by value. The Council's interest in the airport land is also valued annually. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. 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 MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

**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.

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.

**a) The Council as Lessee**

i) Finance Leases

Property, plant and equipment held under finance leases is 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 authority 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 property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

Property, Plant and Equipment recognised under finance leases is 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 MIRS for the difference between the two.

ii) Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment.

**b) The Council as Lessor**

i) Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the

Other Operating Expenditure line in the CIES 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 CIES 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 CIES).

The gain credited to the CIES 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 MIRS. 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 MIRS. 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 property, plant and equipment 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 MIRS.

ii) Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES.

**Library & Museums collections**

The collections include Egyptology, Ethnography, industrial history, business archives, archaeology, botany, geology, local history, costume, textiles, decorative art, entomology, zoology and rare books.

These items are reported in the Balance Sheet on valuations held for insurance purposes. The ten most significant items have been valued individually, and a single collections based valuation covers all other items. The insurance valuations are reviewed regularly, and when the policies are being renewed. The valuation of individual items may also be reviewed when loans are made to external organisations. The collections are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

The collection is relatively static. Acquisitions (mainly donations) are made at a rate of around 100 items per year, with a smaller number of disposals. Significant purchases would be recognised at cost, and donations recognised at a valuation determined by an appropriately qualified member of staff, however, recently these items have not been material in value, and have been assessed as being covered by the valuation of the collection as a whole. Significant disposals are recognised as a capital receipt and written out of the balance sheet at their carrying value. In practice, most disposals have been small in nature and are regarded as not affecting the value of the collection as a whole.

**Minimum Revenue Provision**

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2003/3146) took effect from 31st March 2008. They require the basis on which the Minimum Revenue Provision (MRP) is calculated for future years to be approved by Council. This is the amount Councils are required to set aside for debt repayment each year.

General Fund Borrowing that was previously supported through the RSG system will be provided for in equal annual instalments over a 50 year period commencing 1st April 2015. For non-Housing schemes financed from unsupported borrowing, from 1st April 2008 MRP will be made for repayment equal to the estimated depreciation charge on those assets calculated on an equal instalment basis, calculated in accordance with normal accounting practice. For Finance Leases and the PFI scheme the capital element of the lease or unitary payment will be taken to be the MRP.

In instances where the Council incurs borrowing in order to lend funds to a third party, in accordance with the revised guidelines issued by the Secretary of State, MRP is required to be provided over the useful life of the asset created. In certain instances, and after undertaking comprehensive due diligence, if the Deputy Chief Executive is satisfied that any agreed repayment date will be met, the guidance will be reviewed and, if appropriate, no MRP will be set-aside. Annually the Council will undertake a financial assessment of the third parties' ability to repay the debt and where any adverse changes are perceived to be occurring then a provision will be created to cover any future potential financial losses.

**Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

**Private Finance Initiative (PFI)**

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

The original recognition of these assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment . Non-current assets recognised on the Balance Sheet will be re-valued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operator each year is analysed into three elements:

- fair value of the services received during the year – debited to the relevant service in the CIES
- finance cost – an interest charge of 5.1% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES

- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

**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 only accounted for prospectively i.e. in the current and future years which are affected by the changes, they 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 in accounting policy is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances for the current year and comparative amounts for the prior period as if the new policy had always been applied.

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

**Property, Plant and Equipment**

Assets that have physical substance and are held for use in the provision of services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year (i.e. on a continuing basis) are classified as Property, Plant and Equipment.

**a) 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 it yields benefits to the Council, that the cost can be measured reliably and the services that it provides are for more than one financial year. 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 to revenue as it is incurred. The Council has a £12,000 de minimis limit for the recognition of Capital Expenditure.

**b) Measurement**

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- assets surplus to requirements – fair value, determined by the measurement of the highest and best use value of the asset
- assets under construction – historical cost
- dwellings, other land and buildings, vehicles, plant and equipment are held at current value determined as follows:
    - non-specialised operational properties – existing use value
    - specialised operational properties – depreciated replacement cost.

- infrastructure assets, community assets – depreciated historical cost

**c) Revaluations**

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 four years. Properties categorised as Retail are re-valued annually. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service revenue account.

Where decreases in value are identified, they are accounted 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 CIES.

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.

Various freehold and leasehold properties owned by Bolton Council were valued as at 1 December 2020 by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors. The valuations were prepared in accordance with the requirements of the RICS Valuation – Global Standards, effective January 2020, the International Valuation Standards and IFRS as adapted and interpreted by the Financial Reporting Manual (FReM). The valuation of the operational properties was in accordance with Current Value as defined in the CIPFA Code. Specialised properties were valued using a Depreciated Replacement Cost (DRC) method because of the specialised nature of the asset means that there are no market transactions of this type of asset, except as part of the business or entity. Investment properties were valued to 'fair value' where 'fair value' is equivalent to 'Market Value'.

The Council's interest in land held by the 10 district Councils around the Airport is based on a value obtained by Manchester City Council.

**d) Impairment**

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is 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 CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

**e) Depreciation**

Depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use on a straight-line basis. Where there is specific information on an asset that data is used to determine its life, up to a maximum of 50 years. Otherwise depreciation is calculated on the following bases;

- Buildings – 40 years
- Vehicles, plant, furniture and equipment – 5 years
- Infrastructure – 25 years
- Intangible Assets – 5 years or life of licence.

Depreciation is calculated on asset values at 1 April, i.e. depreciation is charged on expenditure or revaluations in the year. Only land held on a lease will be subject to depreciation. The length of the lease will determine the period over which depreciation is charged. The same would apply for leasehold buildings.

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.

**f) 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 re-valued 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 CIES. 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 CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES 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. Receipts are 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 MIRS.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current 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 MIRS.

**g) Componentisation**
The Code requires that each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When an item of Property, Plant and Equipment valued at greater than £1,000,000 is either acquired or re-valued and the asset has major components whose cost is greater than £200,000, the components are depreciated separately over the relevant life of the component.

**Provisions, Contingent Assets and Contingent Liabilities**

**a) 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 and a reliable estimate can be made of the amount of the obligation, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. 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 more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

**b) 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.

**c) 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.

**Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. They are also used as part of the Council’s devolved budget management process to carry forward budget over or under-spend to future years.

Reserves are created by appropriating amounts in the MIRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the MIRS 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, retirement and employee benefits and do not represent usable resources for the Council.

**Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES 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 MIRS 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.

**VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid relating to Bolton Council is recoverable from it.

## 2 <u>Critical Judgements in Applying Accounting Policies</u>

In applying the accounting policies set out in note 1, the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments made in the Statement of Accounts are:

The Council has evaluated its PFI scheme at Castle Hill, under the requirements of the Code, and concluded that this should be recognised in the balance sheet as an asset. See note 40 for details.

The Code states that the valuation of Heritage Assets may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out by professional valuers. The Museums and Libraries collections are held at most recent insurance valuations, and Smithills Hall and Hall i'th' Wood Museums were revalued in 2017/18 year at depreciated replacement cost by the external valuers Urban Vision.

The Council has undertaken an analysis to classify the leases it holds, both as a lessee and lessor, as either operating or finance leases. The accounting policy for leases has been applied to these arrangements and are recognised where appropriate, as Property, Plant and Equipment in the Council's Balance Sheet.

Property Plant and Equipment are valued on the balance sheet in accordance with the statement of asset valuation principles and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS) which the council judges to be an appropriate basis:

.

Non-current assets, with the exception of those valued at depreciated historical cost, are valued sufficiently regularly to ensure that their carrying amount is not materially different from their value at year end, but as a minimum every five years. Valuations are undertaken during the year by external valuers commissioned by the Council.

In accounting for liabilities relating to the Municipal Mutual Insurance (MMI) claw back Scheme of Arrangement, although the scheme of administration has been called, and an initial levy of 25% has been paid, the Council has judged that the there is sufficient risk relating to the remaining 75% that it be classified as a contingent liability and is included within the Insurance Reserve and Provision. (Notes 9, 22 and 43)

Following the 2017 list revaluation, and the introduction of the Check, Challenge, Appeal process, the estimation of the provision for successful National Non Domestic Rates (NNDR) appeals which would result in a reduction in the Rateable Value (RV) has been based on the percentage of 4.6% built into the 19/20 multiplier. This percentage includes an estimated amount which is judged to be appropriate, for future appeals.

A judgement has been made about the group boundary relating to PSP Bolton. Under the Code (IFRS11) the arrangement is classed as a Joint Venture (see note 15).

In October 2013 the Council transferred assets (largely low value ground rents) to PSP Bolton. In return for this, as assets are developed by PSP, these will be brought on to the Council's books.

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

Under IFRS9 (Financial Instruments) the default categorisation of the Council's equity holdings would be Fair Value through Profit and Loss. However, it is the Council's view that the majority of its equity instruments are strategic investments (i.e. are not held for trading) and designating these at Fair Value through Other Comprehensive Income results in a reasonable and reliable accounting policy for the investment – see note 15.

The Council has a 3.22% shareholding in Manchester Airport Holdings Limited (MAHL). Following the adoption of accounting standard IFRS 9 Financial Instruments which came into effect on 1 April 2018, the default valuation method of the Council's equity holdings would be Fair Value through Profit and Loss. However, the shareholding is a strategic investment and not held for trading and therefore the Council has designated the investment as fair value through other comprehensive income. It is the Council's view that this is a reasonable and reliable accounting policy for the investment.

The Council has made an equity investment in Manchester Airport Car Park Limited, (along with the other nine Greater Manchester District Councils). The Council's investment is to provide car parking facilities at Manchester Airport. The Council holds 3 Class C ordinary shares. The shareholding will be classed as a financial instrument and held at fair value on the Council's Balance Sheet. Under IFRS 9 the shareholding (investment) will be designated as a strategic investment and not held for trading therefore the Council has opted to designate it as fair value through Other Comprehensive Income. The decision to designate to fair value through other comprehensive income is irrevocable and it is the Council view that this is a reasonable and reliable accounting policy for this investment.

**Schools**

Within its boundary, the Council has the following schools:

| Type of School | Nursery | Primary | Secondary | Special |
|---|---|---|---|---|
| Community Schools | 3 | 38 | 3 | 3 |
| Controlled Schools | 0 | 4 | 0 | 0 |
| Voluntary Aided Schools | 0 | 31 | 3 | 0 |
| **Total LA Schools** | **3** | **73** | **6** | **3** |
| Academies | 0 | 21 | 11 | 3 |
| Free School | 0 | 3 | 3 | 0 |
| **Total** | **3** | **97** | **20** | **6** |

**a) Community Schools**
These schools are owned by the Local Authority and managed by a governing body. The revenue expenditure for these schools is funded from the Dedicated Schools Grant (DSG) and accounted for within the Council's accounts. The buildings, reserves and other assets and liabilities are held on the Council's balance sheet.

**b) Controlled Schools**
Controlled schools are managed by a governing body on behalf of the Council. As with Community schools the revenue expenditure is funded from the DSG and accounted for within the Council's accounts. The buildings do not belong to the Council, and therefore are not held within the balance sheet. Reserves and other assets and liabilities that are related to the provision of education, remain with the Council and are therefore included in the balance sheet.

**c) Voluntary Aided Schools**
These schools are owned by either the Roman Catholic or Church of England Diocese. The governing bodies employ the staff but the education is provided on behalf of the Council and funded by the DSG, therefore all the revenue income and expenditure, reserves, current assets and liabilities are within the Council's accounts. The buildings, however, are not held on the balance sheet with the exception of playing fields that are in Council ownership.

**d) Academies / Free Schools**
These schools are independent from the Council. Income and expenditure, reserves and current assets and liabilities are not within the Council's accounts. The DSG is calculated as part of Bolton's allocation but paid directly to the schools from the Department for Education. Existing buildings are transferred to the academy / Free School and only a nominal land value held on the asset register. Where academies/ Free Schools have had substantial new builds and these have been undertaken by the Council, these are accounted for in the capital account and held on the balance sheet. On completion the buildings are transferred to the academy/ Free School and as with other academies a nominal land value held.

## 3 Assumptions Made About the Future and Other Sources of Estimation Uncertainty

**Debt Impairment**
At 31 March 2021, the Council had a balance of short-term debtors of £42m. A review of significant balances suggested that an impairment of doubtful debts of £33m was appropriate. However, in the current climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required.

**Pension Liability**
The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts 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.

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £191.754m. However, the assumptions interact in complex ways. A 0.5% increase in the assumed salary increase rate would result in a £18.430m increase in the pension liability and an increase of 0.5% in the assumed pension increase rate would increase the pension liability by £169.262m.
Further details can be found in Note 42

**PFI and Similar Arrangements**
PFI and similar arrangements have been considered to have an implied finance lease within the agreement. In reassessing the leases, the Council has estimated the implied interest rate within the leases to calculate interest and principal payments. In addition, the future RPI increase within the contracts has been estimated as remaining constant throughout the remaining period of the contract.

**Property, Plant and Equipment**
The Council's asset valuations were effective as of 1st December 2020.

## 4 Accounting Standards Issued not Adopted

The CIPFA Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. In addition, the Code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The standards introduced by the 2021/22 Code and relevant for additional disclosures that will be required in the 2020/21 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- Amendments to IFRS 9, IAS 39 and IFRS 7 (Phase 1) - apply to hedging relationships directly affected by interest rate benchmark reform

Interest Rate Benchmark Reform is the replacement of benchmark interest rates such as LIBOR following the financial 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. The Council does not have such hedge accounting transactions so there is no expected impact on the Council's Statement of Accounts.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Phase 2) - cover issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate

Interest Rate Benchmark Reform 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.

- 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.

## 5 Events After the Reporting Period

The Statement of Accounts was authorised for issue on 18th June 2021 by the Deputy Chief Executive (Section 151 Officer). There are no events after the reporting period in 2020/21.

## 6 Restatement of Prior Year

An adjustment to services' income and expenditure relating to devolved recharges between committees was identified in year. This is reflected in the primary schedules to the financial statements. The changes made to amend the 2019/20 comparatives are as per the table below.

| | | Expenditure | Income | Net |
|---|---|---|---|---|
| | | £000s | £000s | £000s |
| **Original** | Adult Services and Public Health | 143,894 | 47,765 | 96,129 |
| | Children's Services | 323,033 | 230,101 | 92,932 |
| | Leader | 119,197 | 103,705 | 15,492 |
| | Deputy Leader | 43,573 | 12,950 | 30,623 |
| | Strategic Planning and Housing | 3,068 | 1,378 | 1,690 |
| | Environment Regulatory | 4,220 | 4,477 | (257) |
| | Environment Delivery | 55,741 | 32,104 | 23,637 |
| | Highways and Transport | 27,359 | 11,758 | 15,601 |
| | Stronger Communities | 2,872 | 469 | 2,403 |
| | Financial Services | 9,844 | 13,406 | (3,562) |
| | | **732,801** | **458,113** | **274,688** |
| **Restated** | Adult Services and Public Health | 141,949 | 45,820 | 96,129 |
| | Children's Services | 316,472 | 223,540 | 92,932 |
| | Leader | 117,917 | 102,425 | 15,492 |
| | Deputy Leader | 41,428 | 10,805 | 30,623 |
| | Strategic Planning and Housing | 2,946 | 1,256 | 1,690 |
| | Environment Regulatory | 4,198 | 3,955 | 243 |
| | Environment Delivery | 51,264 | 27,627 | 23,637 |
| | Highways and Transport | 22,175 | 6,574 | 15,601 |
| | Stronger Communities | 2,842 | 439 | 2,403 |
| | Financial Services | 9,344 | 13,406 | (4,062) |
| | | **710,535** | **435,847** | **274,688** |

## 7 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from annual resources (government grants, rents, council tax and business rates). The Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| 2019/20 | | | | 2020/21 | | |
|---|---|---|---|---|---|---|
| **Net expenditure chargeable to the General Fund** | **Adjustment between the funding & accounting basis** | **Net expenditure in CIES** | | **Net expenditure chargeable to the General Fund** | **Adjustment between the funding & accounting basis** | **Net expenditure in CIES** |
| **£000s** | **£000s** | **£000s** | | **£000s** | **£000s** | **£000s** |
| 87,900 | 8,228 | 96,128 | Adult Services and Public Health | 63,535 | 7,386 | 70,921 |
| 62,683 | 30,249 | 92,932 | Children's Services | 49,160 | 27,908 | 77,068 |
| 22,084 | (6,592) | 15,492 | Leader | 25,316 | (8,807) | 16,509 |
| 17,404 | 13,220 | 30,624 | Deputy Leader | 16,606 | 9,643 | 26,249 |
| 797 | 894 | 1,691 | Strategic Planning and Housing | 660 | 2,203 | 2,863 |
| (2,882) | 3,125 | 243 | Environment Regulatory | (638) | 3,054 | 2,416 |
| 18,355 | 5,282 | 23,637 | Environment Delivery | 15,990 | 4,309 | 20,299 |
| 7,891 | 7,710 | 15,601 | Highways and Transport | 5,416 | 9,950 | 15,366 |
| 2,276 | 127 | 2,403 | Stronger Communities | 1,261 | 142 | 1,403 |
| (10,007) | 5,945 | (4,062) | Financial Services | (9,627) | (11,171) | (20,798) |
| **206,501** | **68,188** | **274,689** | **Cost of Services** | **167,679** | **44,617** | **212,296** |
| (193,523) | 3,930 | (189,593) | Other Income and expenditure | (239,867) | 47,406 | (192,461) |
| **12,978** | **72,118** | **85,096** | **Deficit/(surplus) for year** | **(72,188)** | **92,023** | **19,835** |

**Movement in General Fund Balance**

| Movement in General Fund Balance | 2019/20 | 2020/21 |
|---|---|---|
| | £000s | £000s |
| Opening General Fund Balance as at 1st April | (108,877) | (95,899) |
| New statutory accounting practices in relation to the treatment of local authority schools budget deficits | 0 | (16,561) |
| (Surplus)/Deficit on General Fund Balance in Year | 12,978 | (72,188) |
| **Closing General Fund Balance as at 31st March** | **(95,899)** | **(184,648)** |

## 8 Note to the Expenditure and Funding Analysis

| 2019/20 | | | | | 2020/21 | | | |
|---|---|---|---|---|---|---|---|---|
| Adjustments for Capital Purposes | Net change for the Pensions Adjustments | Other differences | Total Adjustments | | Adjustments for Capital Purposes | Net change for the Pensions Adjustments | Other differences | Total Adjustments |
| £000s | £000s | £000s | £000s | | £000s | £000s | £000s | £000s |
| | | | | **Net Cost of Services** | | | | |
| 1,058 | 3,518 | 3,652 | 8,228 | Adult Services/Public Health | 1,284 | 2,035 | 4,066 | 7,386 |
| 11,548 | 13,992 | 4,709 | 30,249 | Children's Services | 12,431 | 8,346 | 7,131 | 27,908 |
| 0 | 2,773 | (9,365) | (6,592) | Leader | (6) | 1,777 | (10,578) | (8,807) |
| 15,283 | 877 | (2,940) | 13,220 | Deputy Leader | 12,765 | 447 | (3,568) | 9,643 |
| 0 | 294 | 600 | 894 | Strategic Planning and Housing | 1,434 | 156 | 613 | 2,203 |
| 151 | 483 | 2,491 | 3,125 | Environment Regulatory | 201 | 266 | 2,588 | 3,054 |
| 699 | 4,145 | 438 | 5,282 | Environment Delivery | 1,937 | 2,110 | 262 | 4,309 |
| 6,817 | 1,049 | (156) | 7,710 | Highways and Transport | 9,320 | 595 | 35 | 9,950 |
| 5 | 102 | 20 | 127 | Stronger Communities | 5 | 54 | 83 | 142 |
| (7,155) | 4,685 | 8,415 | 5,945 | Financial Services | (7,807) | (1,595) | (1,769) | (11,171) |
| **28,406** | **31,918** | **7,864** | **68,188** | **Net Cost of Services** | **31,564** | **14,191** | **(1,137)** | **44,617** |
| 476 | 11,306 | (7,852) | 3,930 | Other Income and Expenditure from the funding analysis | (8,347) | 8,341 | 47,412 | 47,406 |
| **28,882** | **43,224** | **12** | **72,118** | **Difference between the General Fund surplus/deficit and the CIES surplus/deficit** | **23,217** | **22,532** | **46,275** | **92,023** |

## Adjustments for Capital Purposes

Depreciation, impairment charges and revaluation gains and losses are included within the net cost of services. In addition
:

1. **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposals of assets and the amounts written off for those assets.
2. **Finance and investment income and expenditure** – the statutory charges for capital financing, i.e. Minimum Revenue Provision (MRP) and other revenue contributions, are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices (GAAP).
3. **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under GAAP. Revenue grants are adjusted from those receivable during the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied within the year.

## Net Change for Pension Adjustments

The removal of pension contributions and the addition of the International Accounting Standard *(IAS) 19 Employee Benefits* pension related expenditure and income are reflected as follows:

1. **Re: Net cost of services** – employer pension contributions made by the Council as determined by statute are removed, and replaced with current service costs and past service costs.
2. **Re: Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement (CIES).

## Other Differences

Other differences between amounts debited / credited to the CIES and the amounts payable / receivable to be recognised under statute:

1. **Finance and investment income and expenditure** – the other differences column recognises adjustments to the General Fund for timing differences relating to premiums and long term borrowing.
2. **Taxation and non-specific grant income** – the charge represents the difference between what is chargeable under statute for Council Tax and Business Rates to that which was forecast to be received at the start of the year, and the income recognised under GAAP. This is a timing difference only as any difference is brought forward in surplus and deficits on the Collection Fund.
3. **Dedicated Schools Grant Reserve –** this adjusts for the transfer of the deficit on the Dedicated Schools Grant to the newly established Dedicated Schools Grant Reserve, following the change in provisions which came into force on 29 November 2020.

## Expenditure and Income analysed by nature

| 2019/20 £000s | | 2020/21 £000s |
|---|---|---|
| | **Expenditure** | |
| 287,239 | Employee Benefit Expenses | 276,716 |
| 411,848 | Other services Expenses | 412,833 |
| 42,072 | Support Services Recharges | 42,210 |
| 33,715 | Depreciation, Amortisation, impairment | 39,715 |
| 18,732 | Interest & Investment Payments | 14,695 |
| 36,133 | Precepts and levies | 37,690 |
| 10,913 | Loss on disposal of assets | 11,131 |
| **840,652** | **Total Expenditure** | **834,990** |
| | | |
| | **Income** | |
| (500,464) | Fees charges & other service Income | (559,178) |
| (16,028) | Interest & investment income | (4,087) |
| (228,627) | Income from CT, NNDR | (232,413) |
| (10,437) | Grants & contributions | (19,477) |
| **(755,556)** | **Total Income** | **(815,155)** |
| **85,096** | **Surplus or deficit on provision of services** | **19,835** |

## 9 Movements in Earmarked and Unusable Reserves

### Movements in Earmarked Reserves

| | Note | 01-Apr-19 | Transfers In | Transfers Out | 01-Apr-20 | Transfers In | Transfers Out | 31-Mar-21 |
|---|---|---|---|---|---|---|---|---|
| | | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| **Earmarked Statutory Reserves** | | | | | | | | |
| Schools Delegated Budgets | **1** | 6,976 | 0 | (518) | 6,458 | 6,547 | 0 | 13,005 |
| Public Health | **2** | 549 | 244 | (375) | 418 | 297 | (360) | 355 |
| **Total Earmarked Statutory Reserves** | | **7,525** | **244** | **(893)** | **6,876** | **6,844** | **(360)** | **13,360** |
| **General Fund Balance – Collection Fund** | **10** | **0** | **0** | **0** | **0** | **45,145** | **0** | **45,145** |
| Insurance | **3** | 16,506 | 1,594 | 0 | 18,100 | 1,942 | (2,058) | 17,984 |
| **Reserves held for:** | | | | | | | | |
| Legal requirements | **5** | 10,149 | 899 | (2,406) | 8,642 | 15,414 | (978) | 23,078 |
| Dedicated Schools Grant | **6** | (7,690) | 6 | (5,014) | (12,698) | 16,561 | (3,863) | 0 |
| Existing commitments | **7** | 49,622 | 15,934 | (30,628) | 34,928 | 48,879 | (41,599) | 42,028 |
| To cover future key areas of spend | **8** | 10,940 | 11,487 | (10,393) | 12,034 | 21,271 | (5,999) | 27,306 |
| To cover key areas of risk | **9** | 10,017 | 13,585 | (6,245) | 17,357 | 1,114 | (13,593) | 4,878 |
| Service general contingencies | | 1,147 | 1,957 | (3,104) | 0 | 2,843 | (2,843) | 0 |
| Available for reallocation | | 0 | 3,145 | (3,145) | 0 | 1,734 | (1,705) | 29 |
| **Total Earmarked Policy Reserves** | | **90,691** | **48,607** | **(60,935)** | **78,363** | **109,758** | **(72,638)** | **115,483** |
| | | | | | | | | |
| **Total Earmarked General Fund Reserves** | | **98,216** | **48,851** | **(61,828)** | **85,239** | **161,747** | **(72,998)** | **173,988** |
| General Fund Balance | **4** | 10,660 | 0 | 0 | 10,660 | 0 | 0 | 10,660 |
| **Total Earmarked General Fund Reserves & Balances** | | **108,876** | **48,851** | **(61,828)** | **95,899** | **161,747** | **(72,998)** | **184,648** |

The Council sets aside specific amounts as earmarked reserves for future policy purposes or to cover known events or contingencies. They are also used as part of the Council's devolved budget management process to carry forward budget under or overspends to future years. Whilst these reserves have been created from revenue funding they can also be used for capital projects too. An explanation of the major reserves is outlined below.

1. **Schools – delegated budgets:** In accordance with section 48 of the School Standards and Framework Act 1998, the Scheme for financing of schools provides for the carry-forward of individual school surpluses and deficits.

2. **Public Health:** The Public Health grant is ring-fenced for public health functions as set out in Section 73B (2) of the National Health Services Act 2006 (as amended by the Health and Social Care Act 2012). We are required to complete a declaration that we've used the grant, or plan to use any of the grant we've set aside in reserves, for public health purposes.

3. **Insurance:** In addition to having an insurance provision, which is linked to past events, but where the timing of the obligation is uncertain, the Council holds monies in a reserve to cover potential future insurance claims.

4. **General Fund Balance:** The Council is required to keep a level of general reserves to fund emergencies, exceptional cost increases and overspends. Council approved that as a minimum Balances should be maintained at £10m, but if possible should be at a higher level.

**Earmarked Policy Reserves:** An exercise has been undertaken to examine all reserves, and these are now categorised under these main headings.

5. **Reserves we are legally required to maintain, total balance £23.1m, include the following**
    - Sinking funds we are legally obliged to maintain, and other legal liabilities from previous initiatives (£9.1m)
    - Public Health COVID related grant funding (£8.1m)
    - Funds held on behalf of schools, other agencies and Adult Services clients (£5.9m)

6. **Dedicated Schools Grant (DSG) reserve we are legally required to maintain, balance £0m, (see Note 33)**
    On the 6 November 2020, the Secretary of State for the Ministry of Housing, Communities and Local Government laid before Parliament a statutory instrument (the instrument) to amend The Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations). The provisions came into effect from 29 November 2020.

    The instrument amends the 2003 Regulations by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits such that where the Council has a deficit on its schools budget relating to its accounts for a financial year beginning on 1 April 2020, 1 April 2021 or 1 April 2022, it must not charge the amount of that deficit to a revenue account. The Council must record any such deficit in a separate account established solely for the purpose of recording deficits relating to its school's budget. The new accounting practice has the effect of separating schools budget deficits from the Councils' general fund for a period of three financial years.
    This issue can only be fully resolved by closing the deficits. Therefore, the accounting treatment introduced by this regulation is limited to the financial

reporting periods 2020/21, 2021/22 and 2022/23 to provide time for Government and the Council to look at budgetary and financial management strategies to reduce the deficit.

**7. Reserves with an existing commitment of £42.2m include the following**

- Emergency funding from Government to cover the costs relating to COVID-19 and expected to be fully spent during 2021-22 (£11.6m)
- Corporate Revenues Reserve - this supports one-off revenue projects (£6.5m)
- Funds held on behalf of schools and other agencies (£5.0m)
- Funds held to support services to vulnerable children & adults (£1.9m)
- Schemes for Neighbourhood Management & Community Safety (£1.8m)
- Schemes for Housing & Homelessness (£1.7m)
- Funding accumulated to even out the Waste Levy over a number of years to avoid major peaks and troughs (£1.2m)

**8. Reserves to cover key areas of known future spend of £27.3m include**

- Funds have been set aside from reserves identified for re-allocation to cover the cash flow consequences of savings during the 2021-23 budget process and balancing the 2021-23 budgets (£15.2m)
- Funding held for Greater Manchester wide initiatives / working (£2.7m)
- Funding set aside to cover increased demand for adult social care residential placements & complex needs (£2.5m)
- Voluntary Community Social Enterprise Strategy reserve (£1.9m)
- Earmarked funds held on behalf of schools (£1.1m)
- No overall contingency is included in the Council's revenue budget, but the costs of energy and fuel can change at short notice during the year, so funding has been set aside to cover any significant in-year increases (£0.4m)

**9. Reserves to cover key areas of risk of £4.9m include**

- The cost to the Council of Council Tax Benefits and Housing Benefits can vary significantly from year to year and an amount has been set aside to cover possible overspends (£3.7m)
- All departments have identified a number of smaller risk items (£1.2m)

**10. General Fund Balance – Collection Fund £45.1m**:

- In accordance with Collection Fund accounting rules, in year surplus or deficits are required to be distributed to / recovered from the General Fund and preceptors in the following financial year. Directions from Government on the charging of Non-Domestic Rates (NDR) to businesses during 2020/21 due to the COVID-19 pandemic, have led to a very large deficit on the NDR element of the collection fund during 2020/21. Government have therefore provided specific grant funding to compensate councils for the unsustainable deficits that otherwise would need to be recovered in 2021/22.

The amounts included in Earmarked Reserves are analysed **by department** below:

| | Opening Balance £000s | Closing Balance £000s | Movement £000s |
|---|---|---|---|
| Insurance | 18,100 | 17,984 | (116) |
| Other central reserves | 53,468 | 104,734 | 51,266 |
| Children's Services | 12,143 | 10,456 | (1,687) |
| Dedicated Schools Grant | (12,698) | 0 | 12,698 |
| Environmental Services | 1,534 | 2,785 | 1,251 |
| Development & Regeneration | 3,613 | 3,880 | 267 |
| Housing GRF | 1,818 | 2,537 | 719 |
| Adult Services | 284 | 8,510 | 8,226 |
| Public Health | 101 | 9,742 | 9,641 |
| **Total Earmarked Policy Reserves** | **78,363** | **160,628** | **82,265** |

**Movement in Unusable Reserves**

| Unusable Reserves | Opening Balance 01 April 2019 £000 | Movement in year £000 | Balance 31 March 2020 £000 | Movement in year £000 | Closing balance 31 March 2021 £000 |
|---|---|---|---|---|---|
| Revaluation Reserve | 228,685 | 2,736 | 231,421 | 13,152 | 244,573 |
| Financial Instrument Revaluation Reserve | 42,974 | (22,674) | 20,300 | 2,050 | 22,350 |
| Pensions | (457,651) | 101,763 | (355,888) | (192,734) | (548,622) |
| Capital Adjustment Account | 264,457 | (9,238) | 255,219 | (16,259) | 238,960 |
| Dedicated Schools Grant Adjustment Account | 0 | 0 | 0 | (16,561) | (16,561) |
| Deferred Capital Receipts | 10,517 | 0 | 10,517 | 0 | 10,517 |
| FIIA | (12,726) | 303 | (12,423) | 303 | (12,120) |
| Collection Fund Adjustment Account | 2,520 | (643) | 1,877 | (45,145) | (43,268) |
| Short-Term Accumulating Compensated Absences Account | (4,058) | 331 | (3,727) | (1,432) | (5,159) |
| **Total** | **74,718** | **72,578** | **147,296** | **(256,626)** | **(109,330)** |

## 10 Adjustments to Accounting and Funding Basis

| | Usable Reserves | | | |
|---|---|---|---|---|
| | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Movements in Unusable Reserves |
| **2019/20** | **£000s** | **£000s** | **£000s** | **£000s** |
| **Adjustments primarily involving the Capital Adjustment Account** | | | | |
| **Reversal of items debited or credited to the CIES** | | | | |
| Charges for Depreciation, impairment and amortisation of non-current assets | (26,523) | 0 | 0 | 26,523 |
| Revaluation/impairment losses on PPE | (7,192) | 0 | 0 | 7,192 |
| Movement in fair value of investment properties | 267 | 0 | 0 | (267) |
| Capital grants & contributions applied | 9,107 | 0 | 0 | (9,107) |
| Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to CIES | (13,458) | 0 | 0 | 13,458 |
| **Insertion of items not credited or debited to CIES** | | | | |
| Statutory provision for the financing of capital investment | 8,052 | 0 | 0 | (8,052) |
| Capital Expenditure charged against the General Fund | 5,978 | 0 | 0 | (5,978) |
| **Adjustments primarily involving the Capital Grants Unapplied Account** | | | | |
| Capital grants & contributions unapplied credited to the CIES | 1,331 | 0 | (1,331) | 0 |
| Application of grants to capital financing transferred to the CAA | 0 | 0 | 6,421 | (6,421) |
| Application of grants to capital finance Revenue Expenditure funded from capital under statute | (7,204) | 0 | 7,204 | 0 |
| **Adjustments primarily involving the Capital receipts Reserve** | | | | |
| Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES | 2,277 | (2,277) | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 714 | 0 | (714) |
| Use of the Capital Receipts finance new Revenue expenditure Funded from capital under statute | (1,516) | 1,516 | 0 | 0 |
| **Adjustments primarily involving the Deferred Capital Receipts Reserve** | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES | 0 | 0 | 0 | 0 |
| **Adjustments primarily involving the Financial Instruments adjustment Account** | | | | |
| Amount by which cost charges to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | 303 | 0 | 0 | (303) |

| 2019/20 | Usable Reserves: General Fund Balance £000s | Usable Reserves: Capital Receipts Reserve £000s | Usable Reserves: Capital Grants Unapplied £000s | Movements in Unusable Reserves £000s |
|---|---|---|---|---|
| **Adjustments primarily involving the Pensions Reserve** | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | (69,340) | 0 | 0 | 69,340 |
| Employers' contributions & direct payments to pensioners' payable in the year. | 26,115 | 0 | 0 | (26,115) |
| **Adjustments primarily involving the Collection Fund Adjustment Account** | | | | |
| Amount by which the CT and NDR income credited to the CIES is different from CT and NDR income calculated for the year in accordance with statutory requirements | (643) | 0 | 0 | 643 |
| **Adjustments primarily involving the Accumulated Absences Account** | | | | |
| Amount by which officer remuneration charge to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements | 328 | 0 | 0 | (328) |
| **Total Adjustments** | **(72,118)** | **(47)** | **12,294** | **59,871** |

| 2020/21 | Usable Reserves General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Movements in Unusable Reserves |
|---|---|---|---|---|
| | £000s | £000s | £000s | £000s |
| **Adjustments primarily involving the Capital Adjustment Account** | | | | |
| **Reversal of items debited or credited to the CIES** | | | | |
| Charges for Depreciation, impairment and amortisation of non-current assets | (26,083) | 0 | 0 | 26,083 |
| Revaluation/impairment losses on PPE | (13,632) | 0 | 0 | 13,632 |
| Movement in fair value of investment properties | (961) | 0 | 0 | 961 |
| Capital grants & contributions applied | 11,533 | 0 | 0 | (11,533) |
| Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to CIES | (12,584) | 0 | 0 | 12,584 |
| **Insertion of items not credited or debited to CIES** | | | | |
| Statutory provision for the financing of capital investment | 8,768 | 0 | 0 | (8,768) |
| Capital Expenditure charged against the General Fund | 1,564 | 0 | 0 | (1,564) |
| **Adjustments primarily involving the Capital Grants Unapplied Account** | | | | |
| Capital grants & contributions unapplied credited to the CIES | 7,946 | 0 | (7,946) | 0 |
| Application of grants to capital financing transferred to the CAA | 0 | 0 | 842 | (842) |
| Application of grants to capital finance Revenue Expenditure funded from capital under statute | (839) | 0 | 839 | 0 |
| **Adjustments primarily involving the Capital receipts Reserve** | | | | |
| Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES | 2,414 | (2,414) | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 4,705 | 0 | (4,705) |
| Use of the Capital Receipts finance new Revenue expenditure Funded from capital under statute | (1,342) | 1,342 | 0 | 0 |
| **Adjustments primarily involving the Deferred Capital Receipts Reserve** | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES | 0 | 0 | 0 | 0 |
| **Adjustments primarily involving the Financial Instruments adjustment Account** | | | | |
| Amount by which cost charges to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | 303 | 0 | 0 | (303) |

| 2020/21 | Usable Reserves | | | |
|---|---|---|---|---|
| | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Movements in Unusable Reserves |
| | £000s | £000s | £000s | £000s |
| **Adjustments primarily involving the Pensions Reserve** | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | (48,409) | 0 | 0 | 48,409 |
| Employers' contributions & direct payments to pensioners' payable in the year. | 25,876 | 0 | 0 | (25,876) |
| **Adjustments primarily involving the Collection Fund Adjustment Account** | | | | |
| Amount by which the CT and NDR income credited to the CIES is different from CT and NDR income calculated for the year in accordance with statutory requirements | (45,145) | 0 | 0 | 45,145 |
| **Adjustments primarily involving the Accumulated Absences Account** | | | | |
| Amount by which officer remuneration charge to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements | (1,432) | 0 | 0 | 1,432 |
| **Total Adjustments** | (92,023) | 3,633 | (6,265) | 94,655 |

## 11 Property, Plant and Equipment

Comparative movements in 2019/20

| | Other Land & Buildings | Vehicles, Plant Furniture & Equipment | Infrastructure | Community Assets | Assets Under Construction | Surplus Assets | Total Property, Plant & Equipment |
|---|---|---|---|---|---|---|---|
| | **£000s** | **£000s** | **£000s** | **£000s** | **£000s** | **£000s** | **£000s** |
| Gross book value carried forward | 440,493 | 31,135 | 205,641 | 10,219 | 3,268 | 1,139 | 691,895 |
| Accumulated depreciation & impairment carried forward | (13,763) | (20,461) | (70,321) | | | | (104,545) |
| **Net Book Value carried forward as at 31 March 2019** | **426,730** | **10,674** | **135,320** | **10,219** | **3,268** | **1,139** | **587,350** |
| Additions | 31,600 | 1,148 | 9,520 | 7 | 6,438 | 0 | 48,713 |
| Revaluations recognised in the revaluation reserve | 10,381 | 0 | 0 | 0 | 0 | (252) | 10,129 |
| Revaluations recognised in the CI&E | (7,023) | 0 | 0 | 0 | 0 | (170) | (7,193) |
| Disposals | (13,308) | 0 | (116) | (8) | 0 | 0 | (13,432) |
| Transfers | 60 | 0 | 0 | 0 | 0 | 0 | 60 |
| Depreciation | (13,180) | (4,608) | (8,589) | 0 | 0 | 0 | (26,377) |
| Other | (11) | 0 | 0 | 0 | (7) | 0 | (18) |
| **Net Book Value carried forward as at 31 March 2020** | **435,249** | **7,214** | **136,135** | **10,218** | **9,699** | **717** | **599,232** |
| Gross book value carried forward | 451,853 | 28,459 | 215,044 | 10,218 | 9,699 | 717 | 715,990 |
| Accumulated depreciation & impairment carried forward | (16,604) | (21,245) | (78,909) | 0 | 0 | 0 | (116,758) |
| **Net Book Value carried forward as at 31 March 2020** | **435,249** | **7,214** | **136,135** | **10,218** | **9,699** | **717** | **599,232** |

**Property, Plant and Equipment – Movement in the year 2020/21**

| | Other Land & Buildings | Vehicles, Plant Furniture & Equipment | Infrastructure | Community Assets | Assets Under Construction | Surplus Assets | Total Property, Plant & Equipment |
|---|---|---|---|---|---|---|---|
| | **£000s** | **£000s** | **£000s** | **£000s** | **£000s** | **£000s** | **£000s** |
| Gross book value carried forward | 451,853 | 28,459 | 215,044 | 10,218 | 9,699 | 717 | 715,990 |
| Accumulated depreciation & impairment carried forward | (16,604) | (21,245) | (78,909) | 0 | 0 | 0 | (116,758) |
| **Net Book Value carried forward as at 31 March 2020** | **435,249** | **7,214** | **136,135** | **10,218** | **9,699** | **717** | **599,232** |
| | | | | | | | |
| Additions | 11,997 | 1,064 | 14,889 | 41 | 1,233 | 0 | 29,224 |
| Revaluations recognised in the revaluation reserve | 22,726 | 0 | 0 | 0 | 0 | 18 | 22,744 |
| Revaluations recognised in the CI&E | (13,632) | 0 | 0 | 0 | 0 | 0 | (13,632) |
| Disposals | (12,152) | (142) | (59) | (18) | 0 | 0 | (12,371) |
| Transfers | 10,525 | 0 | 0 | 0 | (9,699) | 0 | 826 |
| Depreciation | (12,965) | (3,891) | (9,179) | 0 | 0 | 0 | (26,035) |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Net Book Value carried forward as at 31 March 2021** | **441,748** | **4,245** | **141,786** | **10,241** | **1,233** | **735** | **599,988** |
| | | | | | | | |
| Gross book value carried forward | 458,902 | 25,985 | 229,874 | 10,241 | 1,233 | 735 | 726,970 |
| Accumulated depreciation & impairment carried forward | (17,154) | (21,740) | (88,088) | 0 | 0 | 0 | (126,982) |
| **Net Book Value carried forward as at 31 March 2021** | **441,748** | **4,245** | **141,786** | **10,241** | **1,233** | **735** | **599,988** |

PFI assets included in Property, Plant and Equipment £6.3m

The table below shows the progress of the Council's rolling programme for the revaluation of property, plant and equipment. The basis for the valuation is set out in Note 1 Accounting Policies.

| | Operational Property £000s | Surplus Assets £000s | Vehicles Plant & Equipment £000s | Total Property Plant & Equipment £000s |
|---|---|---|---|---|
| Valued at Historical Cost | 15 | 0 | 4,245 | 4,260 |
| Valued at Current Value in | | | | |
| 2020/21 | 240,406 | 335 | 0 | 240,741 |
| 2019/20 | 65,969 | 350 | 0 | 66,319 |
| 2018/19 | 33,151 | 0 | 0 | 33,151 |
| 2017/18 | 102,187 | 0 | 0 | 102,187 |
| Pre 17/18 | 20 | 50 | 0 | 70 |
| Total Property, Plant & Equipment | 441,748 | 735 | 4,245 | 446,728 |

## Capital Commitments

At 31 March 2021, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and beyond. The major commitments are:

| **Approved and Contracted Schemes** | **£000s** |
|---|---|
| Day Care | 5,700 |
| Special School Expansion Programme | 3,906 |
| Replacement of Fleet Vehicles | 3,375 |
| Little Lever Library & Health Centre | 3,040 |
| Disabled Facilities Grants | 1,528 |
| Primary Expansion Programme | 1,255 |
| Building Maintenance Plan | 1,065 |
| Other D&R | 756 |
| Highways Capital Totals | 606 |
| Town Centre Strategy | 570 |
| Secondary Expansion Programme | 546 |
| Westhoughton Town Hall | 222 |
| Private Sector Renewal | 86 |
| Youth & Leisure | 83 |
| Other EN Capital Totals | 43 |
| Children's Centres | 34 |
| **Total** | **22,815** |

| Schemes Approved But Not Contracted | £000s |
|---|---|
| Town Centre Strategy | 30,582 |
| Highways Capital Totals | 15,830 |
| Investments in District Town Centres | 13,189 |
| Other D&R | 4,158 |
| Corporate Property Capital Programme | 3,827 |
| Special School Expansion Programme | 2,429 |
| Secondary Expansion Programme | 1,902 |
| Westhoughton Town Hall | 1,688 |
| Private Sector Renewal | 1,299 |
| Other EN Capital Totals | 1,294 |
| Primary Expansion Programme | 690 |
| Asset Management Plan - urgent works | 493 |
| Children’s Centres | 490 |
| Youth & Leisure | 257 |
| Supported Housing Developments | 166 |
| Little Lever Library & Health Centre | 136 |
| Disabled Facilities Grants | 63 |
| **Total** | **78,493** |

## 12 Heritage assets

### Heritage Assets: Summary of Transactions

The Code recommends a summary of acquisitions, donations and disposals by category relating to Heritage assets.

However, due to the number of them and their low value, it is not considered practical to list individual additions and disposals from the museum, archive and local studies collections in this document. All such acquisitions and disposals are formally recorded as a standard part of the procedures of the Library and Museum Service and can be seen as matter of public record (while taking into account certain data protection issues such as name and address of donors).

Traditionally, around 100 objects are acquired for the collections every year. The vast majority of these are donated by individuals or organisations and are social history items with nominal values. During 2020/21 we have acquired 110 objects through donation. They consist of insects, supporting material for our Egypt collection and items relating to the pandemic including facemasks and signage. None of these are high value objects, insurance value £1000.

There have been no acquisitions or disposals relating to the historic buildings.

There have been no disposals during 2020/21.

| | £000s |
|---|---:|
| Gross book value brought forward | 69,131 |
| Accumulated depreciation & impairment brought forward | 0 |
| **Net Book Value brought forward as at 31 March 2020** | **69,131** |
| | |
| Additions | 0 |
| Revaluations recognised in the revaluation reserve | 0 |
| Disposals | 0 |
| **Net Book Value carried forward as at 31 March 2021** | **69,131** |
| | |
| Gross book value carried forward | 69,131 |
| Accumulated depreciation & impairment carried forward | 0 |
| **Net Book Value carried forward as at 31 March 2021** | **69,131** |

## Heritage Assets: Further Information on the Library & Museums' Collections

Bolton is fortunate to have cultural collections of particular breadth and quality, especially for a local authority of its size. Details of these assets and the Council's policies for the acquisition, preservation, management and disposal of Heritage assets can be seen under the Bolton Library & Museums Services section of the Council's website at http://www.boltonmuseums.org.uk/about

The collections are managed by Bolton Library and Museum Services, a service within the Chief Executive's Department. The Head of Service reports to the Director level within the department.

Professional officers (e.g. Museum team leader, an archivist, local studies librarian, museum collection access officers) are employed within the service to actively manage the collections in accordance with the policies. Most importantly, they ensure the collections are actively used by answering enquiries, curating displays, delivering services for schools, running events and activities, talks and tours.

The collections are used for public interpretation (i.e. in exhibition and displays) at various venues across the Borough of Bolton. The main galleries are at the Bolton Central Library and Museum in Le Mans Crescent, plus the historic halls of Smithills Hall and Hall i' th' Wood. Smaller permanent displays can be found at various branch libraries.

All three major museum sites have been awarded Museum Accreditation status and the archive is a legally recognised public repository. As is typical with most museums, around 5 to 10% of the collections are on display at any one time; with a far lower percentage for archive and library holdings. However, it should be emphasised that all the collections are publicly accessible on request and are a much valued resource used for everything from serious academic study to student art projects.

Individual items from the museum collections are occasionally lent to other local, regional national and international museums. The Service will also take in some items on loan, usually for specific exhibitions. Entry, exit, care and insurance of such materials are strictly managed according to professional standards. Transactions into and out of the collections are particularly tightly managed. All acquisitions are guided by a strict policy which dictates what material can be added to collections and in what circumstances. It also sets priority areas for active or passive collecting.

In addition, clear guidelines are given to circumstances in which disposals from the collections are allowed; for example where an item poses a risk to people or other parts of the collections, where it is deemed to fall outside the collection interest of the Service. The presumption is that material will be kept within the public domain via a transfer to another museum or heritage organisation where possible and appropriate.

All such policies, along with significant collection transactions (i.e. major purchases and all proposed disposals) are subject to formal approval by Elected Members. The management of the collections is guided by recognised and externally assessed professional museum and archive standards. These ensure that the collections are managed for the public good in a clear and accountable fashion and cover all aspects of museum and archive functions; including acquisition and disposal of material, public access, care of collections, documentation and record keeping, insurance and object movement.

## Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, for example, where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

An annual request is made to the Museums and Galleries officers to ensure there have been no significant changes to the collection which would affect the underlying valuation. If there were so, the collections would be independently valued.

In the event of sales, the proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see elsewhere in Accounting Policies).

## Historic Buildings

The Council owns two historic buildings, Smithills Hall and Hall i' th' Wood, both of which are open to the general public. Smithills Hall was purchased by the Council in the 1930s and Hall i' th' Wood was presented as a gift in 1902.

These are held on the balance sheet at depreciated replacement cost. These assets are also deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

## Art Collection

The Council's Art Collection includes paintings (both oil and watercolour) and sketches which are reported in the Balance Sheet at insurance value.

The assets within the art collection are deemed to have indeterminate lives and high residual value; hence the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by external valuers and with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

## 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 CIES.

| | 2020/21 £000s | 2019/20 £000s |
|---|---|---|
| Rental income from investment property | 393 | 2,028 |
| Direct operating expenses arising from investment property | 0 | (1,032) |
| **Net gain/(loss)** | **393** | **996** |

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 to repair, maintain or enhance it.

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

| | 2020/21 £000s | 2019/20 £000s |
|---|---|---|
| **Balance at start of the year** | 35,672 | 35,473 |
| Additions: purchases | 1,742 | 3 |
| Disposals | (215) | (4) |
| Net gains/losses from fair value adjustments | (959) | 260 |
| Reclassifications | (826) | (60) |
| Other changes | 6 | 0 |
| **Balance at end of the year** | **35,420** | **35,672** |

## 14 Intangible Assets

The Council regards the cost of purchased software as an intangible asset, which is amortised over its expected useful life.

| | 2020/21 £000s | 2019/20 £000s |
|---|---|---|
| **Balance at start of the year** | 55 | 194 |
| Additions: purchases | 0 | 5 |
| Amortisation in year | (55) | (139) |
| Other changes | 0 | (5) |
| **Balance at end of the year** | **0** | **55** |
| **Comprising:** | | |
| Gross carrying amount | 694 | 694 |
| Accumulated amortisation | (694) | (639) |
| | **0** | **55** |

## 15 Financial Instruments

**Categories of Financial Instruments -** The following categories of financial instrument are carried in the balance sheet:

### Financial assets

| | Non-Current | | | | Current | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Investments | | Debtors | | Investments | | Debtors | | Total |
| | 31 Mar 21 £000 | 31 Mar 20 £000 | 31 Mar 21 £000 | 31 Mar 20 £000 | 31 Mar 21 £000 | 31 Mar 20 £000 | 31 Mar 21 £000 | 31 Mar 20 £000 | 31 Mar 21 £000 |
| Amortised Cost | 7 | 7 | 38,866 | 29,739 | 75,177 | 70,321 | 67,919 | 63,010 | **181,969** |
| Fair value through other comprehensive income – designated equity instruments | 38,197 | 32,407 | 0 | 0 | 0 | 0 | 0 | 0 | **38,197** |
| **Total financial assets** | **38,204** | **32,414** | **38,866** | **29,739** | **75,177** | **70,321** | **67,919** | **63,010** | **220,166** |
| Non-financial assets | 0 | 0 | 0 | 0 | 0 | 0 | 14,658 | 10,354 | 14,658 |
| **Total** | **38,204** | **32,414** | **38,866** | **29,739** | **75,177** | **70,321** | **82,577** | **73,364** | **234,824** |

### Financial liabilities

| | Non-Current | | | | Current | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Borrowings | | Creditors | | Borrowings | | Creditors | | Total |
| | 31 Mar 21 £000 | 31 Mar 20 £000 | 31 Mar 21 £000 | 31 Mar 20 £000 | 31 Mar 21 £000 | 31 Mar 20 £000 | 31 Mar 21 £000 | 31 Mar 20 £000 | 31 Mar 21 £000 |
| Amortised Cost | 178,572 | 178,589 | 5,456 | 7,543 | 1,815 | 1,818 | 37,743 | 52,893 | **223,586** |
| **Total financial liabilities** | **178,572** | **178,589** | **5,456** | **7,543** | **1,815** | **1,818** | **37,743** | **52,893** | **223,586** |
| Non-financial liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 11,122 | 9,044 | **11,122** |
| **Total** | **178,572** | **178,589** | **5,456** | **7,543** | **1,815** | **1,818** | **48,865** | **61,937** | **234,708** |

**Detailed Financial Instruments Breakdown**

| | Long-term | | Current | |
|---|---|---|---|---|
| | 31 Mar 21 £000s | 31 Mar 20 £000s | 31 Mar 21 £000s | 31 Mar 20 £000s |
| **Investments** | | | | |
| Banks and other financial institutions (net of impairment) | 0 | 0 | 75,177 | 70,321 |
| Fair Value through Other Comprehensive Income (Manchester Airport) | 32,000 | 30,200 | 0 | 0 |
| Fair Value through Other Comprehensive Income (JP Morgan Trust) | 497 | 337 | 0 | 0 |
| Fair Value through Other Comprehensive Income (Manchester Airport Drop & Go ‘C’ shares) | 5,700 | 1,870 | 0 | 0 |
| Unquoted equity investment at cost (Local Education Partnership) | 7 | 7 | 0 | 0 |
| **Total Investments** | **38,204** | **32,414** | **75,177** | **70,321** |
| **Cash & Cash Equivalents** | | | | |
| Bank current accounts & overdrafts | 0 | 0 | 12,029 | (90) |
| Bank Call accounts and Money Market Funds | 0 | 0 | 28,150 | 36,113 |
| **Total Cash & Cash Equivalents** | **0** | **0** | **40,179** | **36,023** |
| **Debtors** | | | | |
| Advances and Interest due re Manchester Airport | 34,017 | 21,356 | 0 | 0 |
| PSP Bolton | 10,464 | 10,525 | 0 | 0 |
| Middlebrook Leisure Trust | 3 | 6 | 0 | 0 |
| Former Magistrates Authorities (10 Greater Manchester Districts) | 620 | 648 | 0 | 0 |
| Long term leasing | 49 | 49 | 0 | 0 |
| Financial assets carried at contract amounts | 0 | 0 | 41,895 | 40,170 |
| Non-financial assets | 0 | 0 | 33,595 | 24,282 |
| NW Evergreen Ltd Partnership | 131 | 131 | 0 | 0 |
| Bolton at Home Equal Pay | 0 | 378 | 0 | 0 |
| Bolton Wise | 411 | 411 | 0 | 0 |
| **Sub total** | **45,695** | **33,504** | **75,490** | **64,452** |
| Expected Credit Loss | (6,829) | (3,765) | (33,092) | (27,111) |
| **Total Debtors** | **38,866** | **29,739** | **42,398** | **37,341** |
| **Borrowings** | | | | |
| Financial liabilities at amortised cost – Market Loans | 60,000 | 60,000 | 0 | 0 |
| PWLB | 118,000 | 118,000 | 0 | 0 |
| Short-term borrowings | 0 | 0 | 1,815 | 1,818 |
| LOBO Interest Rate Equalisation | 572 | 589 | 0 | 0 |
| **Total Borrowings** | **178,572** | **178,589** | **1,815** | **1,818** |
| **Other Creditors and Liabilities** | | | | |
| Private Finance Initiative (PFI) | 5,023 | 5,535 | 0 | 0 |
| Finance Leases | 433 | 537 | 0 | 0 |
| Ex-GMC residual debt | 0 | 1,471 | 1,409 | 1,268 |
| Financial liabilities carried at contract amounts | 0 | 0 | 36,334 | 51,625 |
| Non-financial liabilities | 0 | 0 | 11,122 | 9,044 |
| **Total Creditors** | **5,456** | **7,543** | **48,865** | **61,937** |

**Investments in equity instruments designated at fair value through other comprehensive income**

Further to the introduction of IFRS 9 in 2018/19 financial year, the authority designated the following equity as fair value through other comprehensive income (fair values as at 31 March 2021 shown):

| Description | Nominal £000 | Fair Value £000 | Change in fair value during 2020/21 £000 |
|---|---|---|---|
| Manchester Airport Shares | 10,214 | 32,000 | 1,800 |
| Manchester Airport C Shares | 5,610 | 5,700 | 0 |
| J P Morgan Trust | 380 | 497 | 161 |

**Manchester Airport Shares** - The authority holds a 3.22% shareholding in Manchester Airport. The shareholding originated through a policy initiative with other Greater Manchester authorities to promote economic generation and tourism. As the asset is not held for trading or income generation, rather a strategic longer term policy initiative the equity has been designated as fair value through comprehensive income.

The Council has made an equity investment in Manchester Airport Car Park Limited, (along with the other nine Greater Manchester District Councils). The Council's investment is to provide car parking facilities at Manchester Airport. The Council holds 3 Class C ordinary shares. The shareholding will be classed as a financial instrument and held at fair value on the Council's Balance Sheet. Under IFRS 9 the shareholding (investment) will be designated as a strategic investment and not held for trading therefore the Council has opted to designate it as fair value through Other Comprehensive Income.

**J P Morgan Trust** - The authority holds stock in J P Morgan Trust on behalf of Graves in Perpetuity. The asset is not held for trading purposes, and the Authority has no intention to dispose of the holding. The authority has therefore designated the equity as fair value through comprehensive income.

**Council Shareholdings**

The Council holds shareholdings in the following companies. In all cases there is no material trading relationship between the company and the Council.

- Bolton Council owns 3.22% of the non-voting shares in Manchester Airport Holdings Ltd (MAHL) and will receive 3.22% of any dividends paid. The shareholding can be valued using the earnings based method and discounted cash flow method. As a result of the impact of the Coronavirus pandemic no dividends were paid during the year. MAHL's most recent accounts for the year ending 31 March 2020 indicated the company had net assets of £1,345.7m (£1,492.7m the previous year) and made a profit of £52.3m after taxation (£146.8m in the previous year). Further information and details of the Manchester Airport Holdings Limited financial statements may be obtained from the Company Secretary, Olympic House, Manchester Airport Holdings Limited, Manchester M90 1QX.

- J.P. Morgan is an investment held for the benefit of the Maintenance of Graves in Perpetuity account.

- Local Education Partnership investment relates to Bolton's share of local authority investment in the Blackburn with Darwen and Bolton Local Education Partnership.

- In August 2015 the Council agreed to the creation of a Local Authority Trading Company (LATC) to deliver certain Adult Social Care Services. In September 2015 three companies were registered at Companies House:

  - Bolton Care and Support Limited
  - Bolton Care and Support (A) Limited
  - Bolton Care and Support (B) Limited

  The three companies are guaranteed by shares, each Company has 1 share with a value of £10 and these have been fully paid by the Council.

  In July 2016 Bolton Care and Support Limited and Bolton Care and Support (A) Limited started to trade and Council staff were TUPED into Bolton Care and Support (A) Limited.

  Since creation the names of the companies have changed as follows:

  - Bolton Care and Support Limited is now Bolton Cares Limited
  - Bolton Care and Support (A) Limited is now Bolton Cares (A) Limited
  - Bolton Care and Support (B) Limited is now Bolton Cares (B) Limited

  The three companies are collectively known as Bolton Cares.

  Bolton Cares (B) Limited started to trade in June 2019 under the trading name of 'Salford Cares' after being awarded a contract to deliver Supporting Living and Outreach services in Salford.

  The three Bolton Care and Support Companies are consolidated within the Authority's Group Accounts.

- PSP Bolton: On 6 December 2011 the Council entered into an agreement with PSP Facilitating Ltd to establish a Limited Liability Partnership, trading as PSP Bolton LLP. This is classed as a Joint Venture, and is consolidated as such within the Authority's Group Accounts. The partnership was established to facilitate property related projects, which could include the identification and disposal of surplus assets, facilitation of regeneration schemes, portfolio management and the investment of private sector funds in projects to mutual benefit.

  - The Council initially granted Options to Purchase on a number of assets to PSP Bolton for £1 each. Assets are sold to third parties and the Council is guaranteed a minimum receipt determined by professional valuers and agreed by both parties. Assets can be added to the list as opportunities are identified.

  - On 26 July 2013 a fully owned subsidiary of PSP Bolton LLP was established, called PSP Bolton (GR) LLP, in order to create a separate vehicle which would specifically acquire a large number of low value assets from the Council, mainly ground rents, and either dispose of them or manage them. The value of these assets was £14.25 million, and the Council will receive in return either a smaller number of higher value assets, which will generate the same income flow as the assets disposed of, the income flow from any PSP developed assets, or will receive cash. To date, the Council has received 1 asset (Bolton Travelodge) and receives the rental income from the Interchange Office block. The amount outstanding from PSP Bolton (GR) has been recognised in our accounts as a deferred capital receipt (£10.46m).

- The amount owed to Bolton Council is £2,760,085 which is retained within PSP Bolton LLP to fund future projects

- The provisional assets and liabilities of both partnerships for the period ending 31st March 2021 are summarised below:

- Please note these figures are in pounds, not thousands of pounds.

| | PSP Bolton LLP | | PSP Bolton (GR) LLP | |
|---|---|---|---|---|
| | **To 31 March 2021 £** | **To 31 March 2020 £** | **To 31 March 2021 £** | **To 31 March 2020 £** |
| **Fixed Assets** | | | | |
| Investments | 1 | 1 | 0 | 0 |
| **Current Assets** | | | | |
| Stock and Receivables | 7,532,640 | 7,556,630 | 0 | 99,400 |
| Debtors (incl. amounts due from Members) | 0 | 9,093,374 | 19,561,054 | 18,083,714 |
| Prepayments | 4,985 | 5,622 | 0 | 0 |
| Amounts Recoverable on Long Term Contracts | 0 | 0 | 0 | 0 |
| Cash | 6,464,228 | 4,655,734 | 0 | 1,378,829 |
| **Total Assets** | **14,001,854** | **21,311,361** | **19,561,054** | **19,561,943** |
| Creditors amounts due within 1 year | (217,636) | (71,257) | (6,359) | (4,316) |
| Loans & debts due to members | (3,367,922) | (3,182,226) | (9,091,142) | (9,092,836) |
| Amounts owed to Group | (10,416,294) | (18,057,876) | (10,463,551) | (10,464,789) |
| **Total Liabilities** | **(14,001,852)** | **(21,311,359)** | **(19,561,052)** | **(19,561,941)** |
| **Net Assets** | **2** | **2** | **2** | **2** |
| **Represented by:** | | | | |
| **Members' capital classified as equity** | **2** | **2** | **2** | **2** |
| **Total Members' Interest** | | | | |
| Amounts due from Members (included in debtors) | 0 | 0 | (17,766,114) | (18,057,875) |
| Loans and other debts due to Members in creditors | 3,367,922 | 3,182,228 | 9,091,143 | 9,092,836 |
| Members' interest | 2 | 2 | 2 | 2 |
| | **3,367,924** | **3,182,230** | **(8,674,969)** | **(8,965,037)** |
| Status of accounts | Unaudited | Audited | Unaudited | Audited |

## Financial Instruments - Income, Expenses, Gains and Losses

| | 2020/21 | | | | 2019/20 | | | |
|---|---|---|---|---|---|---|---|---|
| | Financial Liabilities held at amortised cost | Financial Assets held at amortised cost | Financial Assets: designated fair value through other comprehensive income | Total | Financial Liabilities held at amortised cost | Financial Assets held at amortised cost | Financial Assets: designated fair value through other comprehensive | Total |
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Interest expense & similar charges | (5,951) | 0 | 0 | **(5,951)** | (5,956) | 0 | 0 | **(5,956)** |
| **Total expense in Surplus or (Deficit) on the Provision of Services** | **(5,951)** | **0** | **0** | **(5,951)** | **(5,956)** | **0** | **0** | **(5,956)** |
| Interest income and dividends | **0** | **681** | **13** | **694** | 0 | 1,332 | 6,455 | **7,787** |
| Interest income accrued on impaired financial assets | 0 | 0 | 0 | **0** | 0 | 0 | 0 | **0** |
| **Total income in Surplus or (Deficit) on the Provision of Services** | **0** | **681** | **13** | **694** | **0** | **1,332** | **6,455** | **7,787** |
| Gains (Loss) on revaluation | 0 | 0 | 1,961 | **1,961** | 0 | 0 | (22,674) | **(22,674)** |
| **Surplus/(Deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure** | **0** | **0** | **1,961** | **1,961** | **0** | **0** | **(22,674)** | **(22,674)** |
| **Net gain/(loss) for the year** | **(5,951)** | **681** | **1,974** | **(3,296)** | **(5,956)** | **1,332** | **(16,219)** | **(20,843)** |

**Note** – During 2018/19 the authority incurred a premium of £13,018k paid on the early redemption of one of the authority's borrowings. The authority elected to apply statutory provisions allowing it to spread the impact of the premium over what would have been the remaining term of the loan. In 2020/21 the interest expenses and similar charges figure of £5,951k includes an amount of £303k relating to this deferred premium.

## Fair value of Assets and Liabilities

Financial liabilities and financial assets represented by loans and interest receivable and long-term debtors and creditors are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For loans the PWLB premature repayment rates from the PWLB at 31 March 2021 have been applied to provide the fair value for all loans using PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment is recognised, impairment has been provided separately within the Expected Credit Loss Provision;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

| | 31-Mar-21 | | 31-Mar-20 | |
|---|---|---|---|---|
| | **Carrying amount £000s** | **Fair value £000s** | **Carrying amount £000s** | **Fair value £000s** |
| Financial Liabilities: | | | | |
| Market Loans | 60,572 | 82,017 | 60,589 | 77,394 |
| PWLB Loan | 118,000 | 133,255 | 118,000 | 121,693 |
| Trade Creditors | 36,334 | 36,334 | 51,625 | 51,625 |
| Bank Overdrawn and Short Term Borrowing | 1,815 | 1,815 | 10,795 | 10,795 |
| **Total Financial Liabilities** | **216,721** | **253,421** | **241,009** | **261,507** |

The fair value of liabilities is higher than the carrying amount because the Council's borrowing portfolio includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

| | 31-Mar-21 | | 31-Mar-20 | |
|---|---|---|---|---|
| | **Carrying amount £000s** | **Fair value £000s** | **Carrying amount £000s** | **Fair value £000s** |
| Loans and receivables: | | | | |
| Loan to Manchester Airport | 29,927 | 97,261 | 20,250 | 61,292 |
| Money Market Loans Less than One Year | 75,177 | 75,337 | 70,321 | 70,321 |
| Other Long Term Debtors | 15,768 | 15,768 | 13,254 | 13,254 |
| Trade Debtors | 27,739 | 27,739 | 26,987 | 26,987 |
| Cash and Cash Equivalents | 40,179 | 40,179 | 45,000 | 45,000 |
| **Total Loans and Receivables** | **188,790** | **256,284** | **175,812** | **216,854** |

The difference between carrying amount and fair value of the Manchester Airport Loan is due to the fixed interest instrument held by the Council including an interest rate that is higher than the prevailing rate estimated to be available at 31 March 2021. This increases the fair value of the loans.

Short term debtors and creditors are carried at cost and this is a fair approximation of their value.

### Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

| **31/03/2021**<br>**Recurring fair value measurements** | | **Other significant observable inputs (Level 2) £000** |
|---|---|---|
| Financial Liabilities | Financial liabilities held at amortised cost: | |
| | PWLB | 118,000 |
| | Non-PWLB | 60,572 |
| | Short term debt | 0 |
| | PFI and finance lease liability | 6,864 |
| | **Total** | **185,436** |
| Financial Assets | Financial assets held at amortised cost: | 75,177 |
| | Other financial assets - Long Term | 7 |
| | **Total** | **75,184** |

| 31/03/2020<br><br>Recurring fair value measurements | | Other significant observable inputs (Level 2) £000 |
|---|---|---|
| Financial Liabilities | Financial liabilities held at amortised cost: | |
| | PWLB | 118,000 |
| | Non-PWLB | 60,589 |
| | Short term debt | 0 |
| | PFI and finance lease liability | 8,811 |
| | **Total** | **187,400** |
| Financial Assets | Financial assets held at amortised cost: | 70,321 |
| | Other financial assets - Long Term | 7 |
| | **Total** | **70,328** |

The fair value for financial liabilities and financial assets that are not measured at fair value included in the tables above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate detailed.

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the assumptions detailed above, primarily for financial liabilities the fair value is arrived at by applying the discounted cash flow calculations based on the PWLB premium/discount calculations.

## 16 <u>Nature and Extent of Risks Arising from Financial Instruments</u>

**Key Risks**

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in interest rates movements.

The Council's overall treasury management activity is carried out with awareness of the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury function, under policies approved by the Council.

**Overall procedures for managing risk**

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks.  The procedures for risk management are set out through a legal framework in 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 fixed and variable rates;
    - Its maximum and minimum exposures to the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the 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 on a quarterly basis.

The annual treasury management and investment strategies, which incorporates the prudential indicators were approved by Council on February 2020 and are available on the Council website.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

**Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which 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 & Poors Credit Ratings Services. The Annual Investment 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 rating criteria use the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance a negative rating watch applying to counterparties at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

The criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) are:

| | |
|---|---|
| **Banks 1 -** good credit quality | The Council will only use banks which are UK banks; and have, as a minimum, the following Fitch, Moody's and Standard and Poor's credit ratings (where rated);<br>Short term – F1/P1/A1<br>Long term – A-/A3/A- |
| **Banks 2** - Part nationalised UK banks - Lloyds Banking Group (Lloyds Bank and Bank of Scotland) and Royal Bank of Scotland (Royal Bank of Scotland and National Westminster Bank). | These banks can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above. |
| **Banks 3** | The Council's own banker if the bank falls below the above criteria. |
| **Building Societies** | The Council will *use* all societies which meet the ratings for Banks 1 outlined above |
| **UK Government (the DMADF)** | |
| **Local authorities, parish councils etc.** | |
| **Money Market Funds** | AAA with a Fixed Net Asset Value (NAV). |

Deposits are not made with banks and financial institutions unless they are rated independently to have a sound credit rating. Based upon past experience the investments held at the 31 March 2021 were of a low risk of default.

Where significant contracts are being entered into customers 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 had a total of £103.150m deposited with a number of financial institutions at 31 March 2021. The Council's maximum exposure to credit risk in relation to this amount 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 institution. 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.

### Amounts Arising from Expected Credit Losses

We have assessed the Councils short & long term investments and concluded that the expected credit loss is not material therefore no allowances have been made.
A summary of the credit quality of the Council's investments at 31 March 2021 is shown below, along with the potential maximum exposure to credit risk, based on experience of default and uncollectability.

| Deposits with banks, financial institutions and other local authorities | Fitch Rating (Long Term / Short Term) | Moody's Rating (Long Term / Short Term) | Standard & Poor Rating (Long Term / Short Term) | Amount invested at 31 March 2021 | Historical experience of default | Estimated maximum exposure to losses at 31 March 2021 |
|---|---|---|---|---|---|---|
| | | | | £,000 | % | £,000 |
| **Banks** | | | | | | |
| Close Brothers Ltd | A- / F2 | Aa3 / P1 | | 25,000 | 0.031% | 8 |
| Santander UK PLC | A+ / F1 | A1 / P1 | A / A1 | 20,000 | 0.036% | 7 |
| Barclays Bank PLC | A+ / F1 | A1 / P1 | A / A1 | 50 | 0.036% | 0 |
| **Local Authorities** | | | | | | |
| Thurock Council | | | | 10,000 | 0.022% | 2 |
| Warrington Borough Council | | | | 5,000 | 0.022% | 1 |
| Woking Borough Council | | | | 10,000 | 0.017% | 2 |
| Wokingham Borough Council | | | | 5,000 | 0.022% | 1 |
| **Money Market Funds** | | | | | | |
| Aberdeen Standard MMF | AAAmf | Aaa-mf | AAAm | 19,800 | 0.000% | 0 |
| Goldman Sachs MMF | AAAmf | Aaa-mf | AAAm | 8,250 | 0.000% | 0 |
| Morgan Stanley MMF | AAAmf | Aaa-mf | AAAm | 50 | 0.000% | 0 |
| **Totals** | | | | **103,150** | | **21** |

## 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 CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

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.

| Source of Loan | Interest Rates % | Total Outstanding 31 March 2020/21 £000s | 2019/20 £000s |
|---|---|---|---|
| Bonds | 3.90 to 4.825 | 60,000 | 60,000 |
| PWLB | 2.55 to 2.64 | 118,000 | 118,000 |
| Mortgages | | 0 | 0 |
| **Total Borrowing** | | **178,000** | **178,000** |
| Less: Due within 12 Months on demand | | 0 | 0 |
| | | **178,000** | **178,000** |
| An Analysis of Loans by Maturity at 31 March: | | | |
| Amounts of Principal to be Repaid | | | |
| Within 1 year | | 0 | 0 |
| In 1 to 2 Years | | 0 | 0 |
| In 2 to 5 Years | | 0 | 0 |
| In 5 to 10 Years | | 0 | 0 |
| 10 - 20 Years | | 0 | 0 |
| After 20 Years | | 178,000 | 178,000 |
| | | **178,000** | **178,000** |

**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; 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 risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. Prudential Indicators limit the proportion of debt maturities in any period. A combination of careful planning when a new loan is taken out and making early repayment (when it is economic to do so) allows maturity patterns to be managed.

### Market risk

### Interest rate risk

The Council is exposed to some risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- Investments at fixed rates – as the interest rates are fixed, whilst there would be a change in fair value, there would be no effect on the balance sheet.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the CIES or MIRS.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 50% of its net debt in variable rate loans and investments. None of the Council's borrowings held at the 31 March 2021 were in variable rate loans (accordingly our policy was satisfactorily met). During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates and the Council's cost of borrowing thus providing compensation for a proportion of any higher costs.

The treasury management function has 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 during the year. This allows any adverse changes to be accommodated. The analysis will also advise on the impact of new borrowing taken out.

According to this assessment, if interest rates had been higher with all other variables held constant, the financial effect would be beneficial to General Fund.

The impact of a fall in interest rates would adversely impact on General Fund but in year monitoring will allow the budget strategy to be amended accordingly.

### Price risk

The Council does not generally invest in equity shares or marketable bonds but does have shareholdings to the value of £38.204m. 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 14). 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 Council also has a holding to the value of £0.497m in an investment trust, which will only be realised in favourable circumstances and a holding in Blackburn with Darwen and Bolton Local Education Partnership valued at £0.007m.

The unquoted equity investments in Manchester Airport Group and the JP Morgan investment trust are shown at fair value, the investment in the Blackburn with Darwen and Bolton Local Education Partnership is shown at historic cost.

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.

Of the shares mentioned above £38.197m have been elected as Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve. A general shift of 5% in the price of shares (positive or negative) would thus have resulted in a £1.910m gain or loss being recognised in the Financial Instrument Revaluation Reserve for 2020/21.

**Foreign exchange risk**

The Council has no foreign exchange exposure.

## 17 Inventories

| | Consumable Stock | |
|---|---|---|
| | **2020/21 £000s** | **2019/20 £000s** |
| **Balance outstanding at start of year** | 652 | 654 |
| Purchases | 2,530 | 1,971 |
| Recognised as an expense in the year | (2,323) | (1,973) |
| **Balance outstanding at year end** | **859** | **652** |

## 18 Debtors

| | **31 March 2021 £000s** | **31 March 2020 £000s** |
|---|---|---|
| Central government bodies | 5,575 | 10,683 |
| Other local authorities | 2,605 | 6,523 |
| NHS bodies | 8,243 | 506 |
| Public corporations and trading funds | 13,693 | 12,578 |
| Other entities and individuals | 45,373 | 34,162 |
| **Sub total** | **75,489** | **64,452** |
| Less: Impairment Allowance | (33,091) | (27,111) |
| **Total** | **42,398** | **37,341** |

## 19 Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

| | 31 March 2021 £000s | 31 March 2020 £000s |
|---|---|---|
| Less than three months | 3,298 | 2,718 |
| Three to six months | 3,298 | 2,718 |
| Six months to one year | 6,596 | 5,436 |
| More than one year | 19,743 | 14,196 |
| **Total** | **32,935** | **25,068** |

## 20 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

| | 31 March 2021 £000s | 31 March 2020 £000s |
|---|---|---|
| **Cash held by the Council** | | |
| Bank current accounts | 12,029 | 8,887 |
| Bank Call accounts and Money Market Funds | 28,150 | 36,113 |
| **Total Cash held by the Council** | 40,179 | 45,000 |
| Bank Overdraft | 0 | (8,977) |
| **Total Cash and Cash Equivalents** | **40,179** | **36,023** |

## 21 Creditors

| | 31 March 2021 £000s | 31 March 2020 £000s |
|---|---|---|
| Central government bodies | 6,131 | 19,198 |
| Other local authorities | 2,024 | 4,378 |
| NHS bodies | 1,038 | 864 |
| Public corporations and trading funds | 24,747 | 24,257 |
| Other entities and individuals | 6,786 | 6,756 |
| Teacher's Pensions Scheme | 2,980 | 2,757 |
| Short term accumulated absences account | 5,159 | 3,727 |
| **Total** | **48,865** | **61,937** |

## 22 Provisions

| | Self-insurance – liability & fire (1) £000s | Business Rates Appeals (2) £000s | Total £000s |
|---|---|---|---|
| **Balance at 1 April 2020** | 6,603 | 15,268 | 21,871 |
| Additions in year | 3,254 | 5,391 | 8,645 |
| Amounts used in year | (1,301) | (2,818) | (4,119) |
| Unused amounts reversed in year | (1,942) | 0 | (1,942) |
| **Balance at 31 March 2021** | **6,614** | **17,841** | **24,455** |
| | | | |
| **Split as:** | | | |
| Short term | 1,890 | 2,765 | 4,655 |
| Long term | 4,724 | 15,076 | 19,800 |
| **Total** | **6,614** | **17,841** | **24,455** |

**Notes**

1. In accordance with IAS 37 the Insurance Liabilities at 31 March 2021 are estimated to be £6,614,000. The provision covers outstanding claims under employer's and public liability where the settlement figure has yet to be agreed. Due to the nature of the claims involved settlement periods can be lengthy.
2. This is Bolton Council's share (99%) of the estimated impact of outstanding Business Rates Appeals at the 31 March 2021. The overall business rates provision has been calculated by reference to the provision percentage built into the Business Rates multiplier (the Government includes a figure within the multiplier to build in the effect of successful appeals).

## 23 Cash Flow Statement – Adjustment on provision of services for non-cash movements

| | 2020/21 £000s | 2019/20 £000s |
|---|---|---|
| Depreciation of Non-Current Assets | (26,083) | (26,523) |
| Impairment of Non-Current Assets | 0 | 0 |
| Pension Fund adjustments | (22,533) | (43,225) |
| Contributions to Provisions | (2,583) | (3,717) |
| Carrying amount of PP&E, investment property and intangible assets sold or derecognised | (12,584) | (13,458) |
| Other non-cash movement | (14,592) | (6,952) |
| | **(78,375)** | **(93,875)** |
| Accruals adjustments: | | |
| Increase/(Decrease) in Inventories | 207 | (2) |
| Increase/(Decrease) in Debtors | (10,199) | (3,204) |
| Increase/(Decrease) in Interest Debtors | (145) | (287) |
| (Increase)/Decrease in Creditors | 13,030 | (15,548) |
| (Increase)/Decrease in Interest Creditors | 20 | 32 |
| | **2,913** | **(19,009)** |
| **Total Adjustment to net Surplus or deficit on the provision of services for non-cash movements** | **(75,462)** | **(112,884)** |

## 24 Cash Flow Statement – Adjustment on provision of services for investing or financing activities

| | 2020/21 £000s | 2019/20 £000s |
|---|---|---|
| Proceeds from the disposal of PPE, investment property and intangible assets | 2,413 | 2,277 |
| Capital Grants credited to Surplus or deficit on the provision of services | 19,478 | 10,437 |
| | **21,891** | **12,714** |

## 25 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

| | 2020/21 £000s | 2019/20 £000s |
|---|---|---|
| Interest received | (852) | (1,646) |
| Interest paid | 5,650 | 5,670 |
| Dividends received | (13) | (6,455) |

## 26 Cash Flow Statement - Investing Activities

| | 2020/21 £000s | 2019/20 £000s |
|---|---|---|
| Purchase of property, plant and equipment, investment property and intangible assets | 30,965 | 48,739 |
| Purchase of short-term and long-term investments | 88,417 | 71,870 |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (2,413) | (2,277) |
| Proceeds from short-term and long-term investments | (70,000) | (122,009) |
| Other investing activities | (19,477) | (10,437) |
| **Net cash flows from investing activities** | **27,492** | **(14,114)** |

## 27 Cash Flow Statement - Financing Activities

| | 2020/21 £000s | 2019/20 £000s |
|---|---|---|
| Cash receipts of short-term and long-term borrowing | 0 | 0 |
| Finance leases and on balance sheet PFI contracts | 617 | 580 |
| Repayments of short-term and long-term borrowing | 0 | 10,250 |
| Other payments for financing activities | 1,471 | 2,533 |
| **Net cash flows from financing activities** | **2,088** | **13,363** |

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

| | 01-Apr-20 £000s | Financing Cashflows £000s | Non Cash Changes £000s | 31-Mar-21 £000s |
|---|---|---|---|---|
| Lease Liabilities | 6,073 | 617 | 0 | 5,456 |
| Long Term Transferred Debt | 2,739 | 1,471 | 0 | 1,268 |
| | **8,812** | **2,088** | **0** | **6,724** |

## 28 Agency Services

The Council provides accommodation services for refugees on behalf of the North West Consortium (NWC). The North West Consortium (NWC) agrees a fee dependant on type of contract and number of occupants / length of stay.

| | **2020/21 £000s** | **2019/20 £000s** |
|---|---|---|
| Expenditure incurred in providing a service on behalf of the Home Office in partnership with NWC, Bury MBC and Refugee Action | 173 | 344 |
| Management fee payable by the North West Consortium | (173) | (344) |
| **Net surplus arising on the agency agreement** | **0** | **0** |

## 29 Pooled Budget with Bolton Clinical Commissioning Group

In 2019/20 Bolton Council entered into an expanded pooled budget with Bolton Clinical Commissioning Group (CCG). This wider pool encompasses both the Better Care Fund (BCF) previously pooled and much of the Council's Adult Social Care Services.

**Aims and Objectives**

The pool aims to allow for better integration of health and social care functions through the use of the Section 75 (S.75) agreement and the creation of a Strategic Commissioning Function (SCF) and an Integrated Care Partnership (ICP).

**Governance**

Joint governance arrangements have been set up and are exercised through the Joint Commissioning Committee (JCC) comprised of Council and CCG representatives.

**Risk Share**

The risk share was agreed to be on a 50/50 basis. Due to the challenging financial climate, it was agreed that the risk share would then be paused from October onwards.

**Financial Performance**

The following table summarises the contributions made by Bolton Clinical Commissioning Group and Bolton Council along with the expenditure summarised by service area.

| | 2020/21 £000s | 2020/21 £000s | 2020/21 £000s |
|---|---|---|---|
| **Funding Provided to the Pool** | | | |
| Bolton Clinical Commissioning Group | | | 93,365 |
| Bolton Council | | | 77,401 |
| **Total Funding** | | | **170,766** |
| | | | |
| **Expenditure Met from the Pooled Budget** | **Bolton Council** | **CCG** | **Total** |
| Integrated Community Services | 20,586 | 27,018 | 47,604 |
| Learning Disabilities | 25,691 | 822 | 26,513 |
| Mental Health | 11,375 | 7,777 | 19,152 |
| Care Services | 60,813 | 17,645 | 78,458 |
| | **118,465** | **53,262** | **171,727** |
| | | | |
| **Net (Surplus)/Deficit on Pool** | | | **961** |

Whilst the section 75 agreement between the parties does constitute a 'joint operation' under IFRS 11, the substance of the commissioning transactions related to the Fund's spending plan indicates that each party is acting as a single entity. Therefore, each organisation 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.

## 30 Members' Allowances

The Council paid the following amounts to Members of the Council during the year:

| | 2020/21 £000s | 2019/20 £000s |
|---|---|---|
| Allowances | 854 | 872 |
| Expenses | 0 | 0 |
| **Total** | **854** | **872** |

## 31 **Officers' Remuneration**

The remuneration paid to the Council's senior employees is as follows – there were no benefits in kind:

| | Note | Salary including Fees and Allowances | Expense Allowance | Compensation for Loss of Office | Total Remuneration Excluding Pension Contributions | Pension Contributions | 2020-21 Total Remuneration Including Pension Contributions | 2019-20 Total Remuneration Including Pension Contributions |
|---|---|---|---|---|---|---|---|---|
| | | £ | £ | £ | £ | £ | £ | £ |
| Chief Executive | | | | | | | | |
| T Oakman | | 185,385 | 0 | 0 | 185,385 | 0 | 185,385 | 180,423 |
| Chief Executive of Bolton Cares Ltd * | 1 | 66,963 | 0 | 0 | 66,963 | 3,287 | 70,250 | 116,635 |
| Chief Executive of Bolton Cares Ltd - Payment in lieu of notice | 1 | 0 | 0 | 34,276 | 34,276 | 0 | 34,276 | 0 |
| Chief Executive of Bolton Cares Ltd | 1 | 0 | 0 | 88,913 | 88,913 | 0 | 88,913 | 0 |
| Interim Chief Executive of Bolton Cares Ltd | 2 | 63,175 | 4,910 | 0 | 68,085 | 0 | 68,085 | 0 |
| Director of People | 3 | 65,430 | 0 | 0 | 65,430 | 13,609 | 79,039 | 87,754 |
| Director of Children's Services | 3 | 65,430 | 0 | 0 | 65,430 | 13,609 | 79,039 | 0 |
| Managing Director - Bolton Integrated Care Partnership | 4 | 68,928 | 0 | 0 | 68,928 | 14,611 | 83,539 | 0 |
| Interim Director of People | | 0 | 0 | 0 | 0 | 0 | 0 | 58,911 |
| Director of Place | 5 | 119,955 | 0 | 0 | 119,955 | 24,951 | 144,906 | 153,847 |
| Director of Place - Assets | 6 | 10,905 | 0 | 0 | 10,905 | 2,268 | 13,173 | 0 |
| Director of Place - Services | 7 | 7,879 | 0 | 0 | 7,879 | 1,803 | 9,682 | 0 |
| Director of Public Health | | 116,350 | 0 | 0 | 116,350 | 24,201 | 140,551 | 128,206 |
| Deputy Chief Executive (s151 Officer) | 8 | 125,408 | 0 | 0 | 125,408 | 26,085 | 151,493 | 144,542 |
| Borough Solicitor | | 100,108 | 0 | 0 | 100,108 | 20,822 | 120,930 | 129,151 |
| | | 995,917 | 4,910 | 123,189 | 1,124,015 | 145,247 | 1,269,261 | 999,468 |

*Bolton Cares Ltd is a subsidiary of the Council with its transactions reported within the Group Accounts section of this statement. The Chief Executive of Bolton Cares Ltd is included in this note as they report to the Chief Executive of Bolton Council.

**Notes:**

1 Left 18 October 2020
2 From 19 October 2020
3 Director of People to 20 September 2020, then Director of Children's Services from 21 September 2020
4 From 21 September 2020
5 To 28 February 2021
6 From 1 March 2021
7 From 1 March 2021
8 From 21 September 2021

The number of Council employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) by band is as follows:

| | Teachers | | Other Staff | |
|---|---|---|---|---|
| | 2020/21 | 2019/20 | 2020/21 | 2019/20 |
| £50,000 - £54,999 | 76 | 56 | 46 | 34 |
| £55,000 - £59,999 | 37 | 37 | 20 | 15 |
| £60,000 - £64,999 | 24 | 30 | 6 | 6 |
| £65,000 - £69,999 | 33 | 25 | 7 | 7 |
| £70,000 - £74,999 | 23 | 13 | 5 | 2 |
| £75,000 - £79,999 | 9 | 6 | 3 | 2 |
| £80,000 - £84,999 | 3 | 2 | 5 | 2 |
| £85,000 - £89,999 | 2 | 0 | 1 | 1 |
| £90,000 - £94,999 | 2 | 2 | 2 | 0 |
| £95,000 - £99,999 | 0 | 0 | 1 | 1 |
| £100,000-£104,999 | 1 | 1 | 1 | 0 |
| £105,000-£109,999 | 0 | 0 | 0 | 1 |
| £110,000-£114,999 | 0 | 1 | 0 | 0 |
| £115,000-£119,999 | 0 | 0 | 2 | 2 |
| £120,000-£124,999 | 0 | 0 | 1 | 1 |
| £125,000-£129,999 | 0 | 0 | 0 | 1 |
| £130,000-£134,999 | 0 | 0 | 2 | 0 |
| £155,000-£159,999 | 0 | 0 | 1 | 1 |
| £175,000-£179,999 | 0 | 0 | 0 | 1 |
| £180,000-£184,999 | 0 | 0 | 1 | 0 |

The number of exit packages with total cost per band including the cost of ill health retirements and total cost of voluntary redundancies are set out in the table below. There were no compulsory redundancies.

| Exit package cost band (including special payments) | Total number of exit packages by cost band | | Total cost of exit packages in each band | |
|---|---|---|---|---|
| | 2020/21 | 2019/20 | 2020/21 £ | 2019/20 £ |
| £0-£20,000 | 48 | 38 | 372,508 | 437,655 |
| £20,001-£40,000 | 14 | 2 | 428,261 | 52,215 |
| £40,001-£60,000 | 2 | 2 | 98,337 | 99,466 |
| £60,001-£80,000 | 2 | 3 | 134,893 | 226,735 |
| £80,001-£100,000 | 3 | 1 | 261,162 | 92,958 |
| £100,001-£150,000 | 0 | 2 | 0 | 257,374 |
| £150,001-£300,000 | 2 | 5 | 451,258 | 1,194,668 |
| **Total** | **71** | **53** | **1,746,419** | **2,361,071** |

## 32 Termination Benefits

Of the £1.7m cost of exit packages, £483,050 was made in respect of voluntary severance and redundancy payments (£410,414 in 2019/20) and £1,263,369 (£1,950,657 in 2019/20) was to cover the capitalisation costs of pensions.

## 33 **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 ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance and Early Years (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into budget share for each maintained school.

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

| | **Schools Budget Funded by Dedicated Schools Grant** | | |
|---|---|---|---|
| | **Central Expenditure £000s** | **Individual Schools Budget £000s** | **Total £000s** |
| Final DSG for 2020-21 before Academy Recoupment | | | 291,154 |
| Academy figure recouped for 2020-21 | | | (106,880) |
| Total DSG after Academy Recoupment for 2020-21 | | | 184,274 |
| Brought Forward from 2019-20 | | | (5,147) |
| Carry Forward to 2020-21 agreed in advance | | | 5,147 |
| | | | **184,274** |
| Agreed Budget Distribution in 2020-21 | 55,033 | 129,812 | 184,845 |
| In year adjustments | (42) | (529) | (571) |
| **Final Budget Distribution 2020-21** | **54,991** | **129,283** | **184,274** |
| Actual Central Expenditure | 66,405 | | 66,405 |
| Actual ISB deployed to Schools | | 129,283 | 129,283 |
| **Carry forward to 2021-22** | **(11,414)** | **(0)** | **(11,414)** |
| Carry forward from 2019-20 | | | (5,147) |
| **Carry forward to 2021-22** | | | **(16,561)** |

The regulations make clear the requirement for any DSG deficit balance to be held within the local authority's overall DSG, meaning authorities cannot fund a deficit from the general fund without the secretary of state's approval.

The DSG deficit is a result of pressures in the high needs block due to continuing increases in the number of external placements and increased special school placements. Other factors are increases in costs and pupil numbers in alternative provision and the continuing rise in EHCP numbers.

A repayment plan has been produced and is reviewed on an ongoing basis to look at the pressures within this area and ways to contain the overspend and begin to pay back the deficit. This is done in consultation with Schools and the Schools Forum.

## 34 Financing and Investment Income and Expenditure

| | 2020/21 £000s | 2019/20 £000s |
|---|---:|---:|
| Movement on investment property | 960 | (268) |
| Interest Payable and Investment Expenditure | 6,354 | 7,426 |
| Interest and Investment Income | (4,087) | (16,306) |
| Pension interest cost and return on assets | 8,341 | 11,306 |
| **Total** | **11,568** | **2,158** |

## 35 Taxation and Non-Specific Grant Income

The Council raises Council Tax, Non Domestic Rates (NDR) and receives grants from Central Government each year to support revenue expenditure which is not attributable to specific services. The Grants, NDR and Council Tax received for 2020/21 were:

| | 2020/21 £000s | 2019/20 £000s |
|---|---:|---:|
| Council Tax | 116,167 | 113,468 |
| Non Domestic Rates (NDR)Top-Up | 22,249 | 21,319 |
| Local Retained Business Rates | 139,141 | 94,591 |
| Collection Fund Adjustment Account | (45,145) | (751) |
| Capital Grants | 19,478 | 10,437 |
| **Total** | **251,890** | **239,064** |

## 36 Grant Income

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

| | 2020/21 £000s | 2019/20 £000s |
|---|---:|---:|
| **Credited to Services:** | | |
| PFI Special Grant | 980 | 1,014 |
| Rent Allowance Subsidy | 70,498 | 77,660 |
| Non-HRA Rent Rebates Subsidy | 1,598 | 1,734 |
| HB and Council Tax Benefit Admin Grant | 1,522 | 1,414 |
| Dedicated Schools Grant | 184,274 | 170,998 |
| Pupil Premium | 10,676 | 10,630 |
| New Homes Bonus | 506 | 940 |
| Other Revenue Grants, reimbursements and contributions (Government) | 159,574 | 91,158 |
| Other Revenue Grants, reimbursements and contributions (Non-Government) | 4,391 | 3,782 |
| **Total** | **434,019** | **359,330** |

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the end of 2020/21 are as follows:

| | 2020/21 £000s | 2019/20 £000s |
|---|---|---|
| **Revenue Grants Receipts in Advance** | | |
| 2016/17 NNDR 3 based transactions | 472 | 516 |
| Home Office | 0 | 17 |
| MHCLG | 16,765 | 859 |
| Greater Manchester Combined Authority | 406 | 605 |
| Community Safety Grant | 0 | 13 |
| Alleviating Barriers Grant | 50 | 0 |
| Other Grants | 51 | 69 |
| **Total** | **17,744** | **2,079** |

## 37 **Related Parties**

Related parties are individuals or organisations which have the potential to control or influence the Council or be controlled or influenced by the Council, or are subject to common control.

**The UK Central Government** exerts significant influence over local authorities by providing the statutory framework within which the Council operates and by the provision of grant funding. Details of transactions with UK Government departments are set out in Note 36 Grant Income, whilst total UK Government Debtors and Creditors are disclosed in notes 18 and 21. The detail is in the table below shows transactions, both directly and indirectly, with UK Government Departments and uses Whole of Government Accounts Counterparty Identifiers as a reference:

| Organisation | Income in year £000 | Expenditure in year £000 | Balance due to Bolton Council at 31.3.21 £000 | Balance due from Bolton Council at 31.3.21 £000 |
|---|---|---|---|---|
| **UK Government Department** | | | | |
| Academy Schools | 7,266 | 18,468 | 0 | 0 |
| Arts Council | 3,776 | 1 | 0 | 0 |
| MHCLG | 68,293 | 0 | 1,454 | 0 |
| Department for Education | 4,168 | 8 | 17 | 0 |
| Department for Transport | 3,321 | 0 | 54 | 8 |
| Department for Work and Pensions | 79,531 | 0 | 273 | 74 |
| Greater Manchester Combined Authority | 14,137 | 1,810 | 7 | 0 |
| Education Funding Authority | 212,890 | 0 | 0 | 410 |
| Department of Health Local Reform and Community Voices | 14,808 | 0 | 0 | 0 |
| Home Office | 0 | 0 | 88 | 0 |
| HM Revenue & Customs | 0 | 0 | 0 | 5,593 |
| Other Local Authorities | 4,188 | 9,577 | 0 | 0 |
| Bolton Cares Ltd | 16 | 13,895 | 0 | 0 |
| Other Government Departments | 2,168 | 1,056 | 611 | 47 |
| **Total UK Government Departments** | **414,562** | **44,815** | **2,504** | **6,132** |

| Organisation | Income in year £000 | Expenditure in year £000 | Balance due to Bolton Council at 31.3.21 £000 | Balance due from Bolton Council at 31.3.21 £000 |
|---|---|---|---|---|
| **NHS** | | | | |
| Bolton CCG | 42,606 | 735 | 444 | 238 |
| Bolton NHS Foundation Trust | 802 | 12,204 | 416 | 668 |
| NHS Shared Business Service | 0 | 0 | 7,320 | 0 |
| Bridgewater Community NHS Foundation Trust | 0 | 0 | 44 | 0 |
| Other Health Authorities | 66 | 701 | 19 | 132 |
| **Total NHS** | **43,474** | **13,640** | **8,243** | **1,038** |

**Members of the Council** determine Council policy. During 2020/21 Members of the Council declared an interest in the following activities:

| | Total No. of Members with an Interest | Total Amount paid during 20-21 | Total Amount due to 31-3-21 | Total No. of Members with an Interest | Total Amount received during 20-21 | Total Amount due from at 31-3-21 |
|---|---|---|---|---|---|---|
| | | £ | £ | | £ | £ |
| Arts | 2 | 109,335 | 0 | 1 | 5,365 | 0 |
| Education and Leisure | 7 | 326,010 | 0 | 4 | 90,302 | 2,729 |
| Other | 9 | 6,695,481 | 0 | 12 | 94,354 | 43,673 |
| Other Public Bodies | 6 | 7,824,689 | 0 | 6 | 637,305 | 1,207,365 |
| Registered Social Landlord | 3 | 86 | 547 | 1 | 1,691,822 | 279,099 |
| Construction | 0 | 0 | 0 | 1 | 15,937 | 3,914 |
| Health | 5 | 23,106,134 | 0 | 4 | 476,862 | 396,867 |
| Economic Development | 0 | 0 | 0 | 1 | 165,691 | 5,722 |
| Social Care & Community | 6 | 6,415,246 | 0 | 4 | 562,302 | 45,700 |
| **Grand Total** | **38** | **44,476,981** | **547** | **34** | **3,739,940** | **1,985,069** |

**Chief Officers of the Council** are the principal policy advisors and executives.

Bolton Council has representatives on the Board of the Octagon Theatre Trust and the Deputy Chief Executive represents the Council in an advisory role. The Council has one vote out of a total of twelve on voting matters. A Register of Members Interests is maintained and is available for public inspection by contacting the Members Services Officer. Details of payments to members are available on the Council’s website and also by contacting the Members Services Officer.

**PSP Bolton LLP and PSP Bolton (GR) LLP**

Please see note 15, Financial Instruments.

**Bolton Cares Ltd, Bolton Cares (A) Ltd and Bolton Cares (B) Ltd**

The Council wholly owns the above companies, please see note 15, Financial Instruments

**Other material related party transactions**

Bolton Community Leisure Trust was established to manage several of the Council's leisure centres. In 2020/21 the Trust received grant funding from the Council of £1.4m (£1.360m in 2019/20) towards running costs of the facilities.

Related party transactions with National Health Service bodies amounted to income to the Council of £30.2m in 2020/21 (£11.9m in 2019/20). This income relates to the Pooled Budget arrangement (see note 29) and various schemes to support Social Care.

The Greater Manchester Combined Authority (GMCA) was formally established on 1 April 2011 following agreement between the 10 Greater Manchester Councils and Central Government. GMCA has been established to co-ordinate key economic development, regeneration and transport functions and will, in the future, have financial implications which will impact on the availability and use of resources by the Council.

The Transport for Greater Manchester Executive is the executive body of GMCA in relation to its transport functions.

The Association of Greater Manchester Authorities (AGMA) is a partnership between the 10 Greater Manchester Councils. They co-operate on a number of issues, both statutory and non-statutory, where there is a possibility of improving service delivery by working together. A number of AGMA units exist which the Council contributes to and the expenditure is contained within the relevant service headings in the CIES.

**Other Public Bodies:**

Included in the CIES within Other Operating Expenditure are the following amounts that are charged as levies for services not directly provided by the Council. The balances due to / from the Council are contained within Note 18 Debtors and Note 21 Creditors respectively:

| | Paid as Levies by Bolton Council during 2020-21 £ | Balance due from Bolton Council at 31-3-21 £ | Balance due to Bolton Council at 31-3-21 £ |
|---|---|---|---|
| Transport for Greater Manchester | 19,677,482 | 0 | 0 |
| Greater Manchester Waste Disposal Authority | 17,458,230 | 0 | 180,770 |
| The Environment Agency | 143,289 | 0 | 0 |
| | **37,279,001** | **0** | **180,770** |

**Other related parties disclosed elsewhere in the Statement of Accounts:**

- Pension funds are disclosed in Notes 41 and 42. The Council holds long term investments in companies and these are disclosed in Note 15

## 38 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), 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. The CFR is analysed in the second part of this note:

| | Note | 2020/21 £000s | 2019/20 £000s |
|---|---|---|---|
| **Opening Capital Financing Requirement** | | **249,927** | **229,519** |
| **Capital Investment** | | | |
| Property, Plant and Equipment | **11** | 29,224 | 48,714 |
| Investment Properties | **13** | 1,742 | 3 |
| Heritage Assets | **12** | 0 | 17 |
| Intangible Assets | **14** | 0 | 5 |
| Revenue Expenditure Funded from Capital under Statute | | 10,256 | 12,117 |
| Long Term Investment | | 13,417 | 1,870 |
| | | | |
| **Sources of Finance** | | | |
| Capital receipts | | (6,046) | (2,230) |
| Government grants and other contributions | | (16,355) | (25,359) |
| Sums set aside from revenue: | | | |
| Direct revenue contributions | | (6,497) | (6,748) |
| MRP/loans fund principal | | (6,850) | (6,234) |
| Reduction in Long Term Liabilities | | (1,918) | (1,747) |
| **Closing Capital Financing Requirement** | | **266,900** | **249,927** |
| | | | |
| **Explanation of movements in year** | | | |
| Increase/ (Decrease) in underlying need to borrow (unsupported by government financial assistance) | | 16,973 | 20,408 |
| **Increase/decrease in Capital Financing Requirement** | | **16,973** | **20,408** |

39 **Leases**

## Authority as Lessee

### Finance Leases

The Council has acquired an administrative building within the Place Directorate and its multi-functional office devices under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

| | 31 March 2021 £000 | 31 March 2020 £000 |
|---|---|---|
| Other Land and Buildings | 773 | 643 |
| Vehicles, Plant, Furniture and Equipment | 99 | 198 |
| **Total leased assets** | **872** | **841** |

The Authority 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 Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| | **£000** | **£000** |
| Finance lease liabilities (net present value of minimum lease payments): | | |
| Current | 98 | 98 |
| Non-current | 439 | 537 |
| Finance costs payable in future years | 1,838 | 1,883 |
| **Minimum lease payments** | **2,375** | **2,518** |

The minimum lease payments will be payable over the following periods:

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|---|---|---|---|---|
| | 31 March 2021 £000 | 31 March 2020 £000 | 31 March 2021 £000 | 31 March 2020 £000 |
| Not later than one year | 143 | 143 | 104 | 98 |
| Later than one year and not later than five years | 231 | 345 | 111 | 216 |
| Later than five years | 2,001 | 2,030 | 321 | 321 |
| **Minimum lease payments** | **2,375** | **2,518** | **536** | **635** |

The minimum lease payments 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 contingent rents payable were £291k (2019/20 £262k). The Authority has sub-let some of a property held under a finance lease. At 31 March 2021 the minimum payments expected to be received under non-cancellable sub-leases was £0k (£0k at 31 March 2020).

**Operating Leases**

The Authority leases property for administrative purposes, and also leases office equipment in schools. The future minimum lease payments due under non-cancellable leases in future years are:

| | 31 March 2021 £000 | 31 March 2020 £000 |
|---|---|---|
| Not later than one year | 265 | 267 |
| Later than one year and not later than five years | 327 | 385 |
| Later than five years | 4,094 | 3,397 |
| | **4,686** | **4,049** |

The expenditure in the year of £349k in relation to these leases was charged to the relevant service lines (2019/20 £339k).

**Authority as Lessor**

**Finance Leases**

The Authority has leased out property at Paderborn House and at Newport St, both under finance leases with 0 and 47 years remaining, respectively.

The Authority has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The residual value is nil. 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 Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| | **£000** | **£000** |
| Finance lease debtors (npv of minimum lease payments): | | |
| Current | 0 | 0 |
| Non-current | 49 | 49 |
| Unearned finance income | 163 | 167 |
| **Gross investment in the lease** | **212** | **216** |

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

| | Gross Investment in the Lease | | Minimum Lease Payments | |
|---|---|---|---|---|
| | 31 March 2021 | 31 March 2020 | 31 March 2021 | 31 March 2020 |
| | £000s | £000s | £000s | £000s |
| Not later than one year | 5 | 5 | 5 | 5 |
| Later than one year and not later than five years | 18 | 18 | 18 | 18 |
| Later than five years | 189 | 194 | 189 | 194 |
| | **212** | **217** | **212** | **217** |
| | | | | |

The minimum lease payments 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 £101k contingent rents were receivable by the Authority (2019/20 £101k).

**Operating Leases**

The Authority leases out property under operating leases for commercial and community benefit purposes.

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

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| | £000 | £000 |
| Not later than one year | 2,587 | 1,882 |
| Later than one year and not later than five years | 9,673 | 6,345 |
| Later than five years | 60,429 | 53,898 |
| | **72,689** | **62,125** |

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.

## 40 PFI and Similar Contracts

In September 2003 a new school, library, training centre and community facility opened at Castle Hill. It was procured through a Public Finance Initiative (PFI). Under the 2009 SORP the asset is now included on the balance sheet although it is not in the Council's ownership. The Council is committed to an annual unitary payment of £1.7m increasing annually by RPI until 2028/29.

**Payments**

The Council makes an agreed payment each year which is increased each year by RPI and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at

31 March 2021 (excluding any estimation of inflation and availability/performance deductions) are as follows:

| | Payment for Services £000s | Reimbursement of Capital Expenditure £000s | Interest £000s | Total £000s |
|---|---|---|---|---|
| Payable in 2021/22 | 1,105 | 544 | 292 | 1,941 |
| Payable within 2 to 5 years | 4,421 | 2,543 | 805 | 7,769 |
| Payable within 6 to 10 years | 2,763 | 1,935 | 157 | 4,855 |
| Payable within 11 to 15 years | 0 | 0 | 0 | 0 |
| **Total** | **8,289** | **5,022** | **1,254** | **14,565** |

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

| | 2020/21 £000s | 2019/20 £000s |
|---|---|---|
| Balance outstanding at start of year | 5,535 | 6,017 |
| Payments during the year | (512) | (482) |
| **Balance outstanding at 31 March** | **5,023** | **5,535** |

**Other Contracts**

In 2004 the Council entered into an agreement with Bolton Community Leisure to lease (at a peppercorn) and manage indoor leisure facilities for a period of 15 years and 3 months from January 2004. The Council paid grant to the Trust during that period. The contract was extended for a further two year in 2019, and for a further five years in March 2021.

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

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita. It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salary.

| | **2020-21 Apr 20 – Mar 21** | **2019-20 Apr 19 – Aug 19** | **2019-20 Sep 19 – Mar 20** |
|---|---|---|---|
| Percentage contributed (%) | 23.68 | 16.48 | 23.68 |
| Amount contributed (£000s) | 15,028 | 4,066 | 8,556 |

With regards to the Teachers' Pension Scheme, there were employers' contributions of **£1,277,561** remaining payable at the year end. The contributions due to be paid in 2021/22 are estimated to be **£15,330,732.**

The scheme is a multi-employer defined benefit scheme. Although the scheme is unfunded, Capita uses a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. It is not possible for the Council to identify its share of the underlying financial position and performance of the scheme. For the purpose of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers' scheme. These benefits are fully accrued in the pensions liability described in note 42.

Public Heath staff employed by the Council are members of the NHS Pension Scheme. It provides defined benefits upon retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salary.

| | **2020/21** | **2019/20** |
|---|---|---|
| Percentage contributed (%) | 14.38 | 14.38 |
| Amount contributed (£000s) | 43 | 38 |

The scheme is a multi-employer defined benefit scheme. Although the scheme is unfunded, NHS uses a notional fund as the basis for calculating the employers' contribution rate to be paid. It is not possible to identify a share of the underlying liabilities in the scheme attributable to these employees. For the purpose of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the NHS scheme. These benefits are fully accrued in the pensions liability described in note 42, however no such additional benefits have been awarded in the two financial years.

## 42 Defined Benefit Pension Schemes

### Participation in pension schemes

As part of the terms and conditions of employment the Council makes contributions towards the costs of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that the employees earn their future entitlement.

The Council participates in three post-employment schemes:

The Teachers Pensions Scheme – see note 41.

The NHS Pension Scheme – see note 41.

The Local Government Pension Scheme administered locally by Tameside Metropolitan Borough Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The Greater Manchester Pension Scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Tameside MBC Pension Fund Management Panel. Policy is determined in accordance with the Pensions Fund Regulations. The panel is made up of Councillors mainly from Tameside and is advised by Tameside's Chief Executive, Executive Director - Governance, Resources and Pensions, outside investment experts and the Pension Fund Advisory Panel (Councillors from each of the ten local authorities in Greater Manchester, and also employee representatives from the major trade unions).

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 the amounts required by statute as described in the accounting policies note.

Bolton Council's Net Pension Liability of £548.622m includes a share of the overall Greater Manchester Pension Fund investment assets as disclosed below. The Council disclosed that their share of the total UK property assets held by the Pension Fund is valued at £51.541m. The valuation of the Council's share of the property assets is subject to the same material valuation uncertainty as applies to the Pension Fund financial statements and as such less certainty can be applied to the valuations than would typically be the case.

### Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against the Council tax is based on cash payable in the year, so the real cost of post-employment retirement benefits is reversed out of the General Fund via the MIRS. The following transactions have been made in the CIES and the General Fund Balance via the MIRS during the year:

| | 2020/21 £000s | 2019/20 £000s |
|---|---|---|
| **Comprehensive Income and Expenditure Statement** | | |
| **Cost of Services:** | | |
| Current service cost | 39,260 | 50,639 |
| Past service costs | 808 | 7,395 |
| Effect of Settlements | 0 | 0 |
| **Financing and Investment Income and Expenditure** | | |
| Net interest expense | 8,341 | 11,306 |
| **Total Post Employment Benefits Charged to the Deficit on the Provision of Services** | **48,409** | **69,340** |
| **Other Post-employment Benefit 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) | (217,772) | 183,513 |
| Actuarial gains and losses arising on changes in demographic assumptions | 9,865 | (119,591) |
| Actuarial gains and losses arising on changes in financial assumptions | 394,845 | (48,969) |
| Other | (16,737) | (159,941) |
| **Total Post-employment Benefits charged to CIES** | **170,201** | **(144,988)** |
| **Movement in Reserves Statement** | | |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code | 48,409 | 69,340 |
| **Actual amount charged against the General Fund Balance for pensions in the year:** | | |
| Employers' contributions payable to the scheme | 25,876 | 26,115 |

**Pensions Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

| | 2020/21 £000s | 2019/20 £000s |
|---|---|---|
| Present value of the defined benefit obligation | 1,928,025 | 1,503,182 |
| Fair Value of Plan Assets | (1,379,403) | (1,147,294) |
| **Net liability arising from defined benefit obligation** | **548,622** | **355,888** |

### Reconciliation of the Movements in the Fair Value of Plan Assets

| | 2020/21 £000s | 2019/20 £000s |
|---|---|---|
| Opening fair value of scheme assets | 1,147,294 | 1,311,577 |
| Interest income | 26,234 | 31,398 |
| Effect of Settlements | 0 | 0 |
| **Remeasurement gain/(loss):** | | |
| The return on the plan assets, excluding the amount included in the net interest expense | 217,772 | (183,513) |
| Contributions from employer | 25,876 | 26,115 |
| Contributions from employees into the scheme | 7,116 | 7,111 |
| Benefits paid | (44,889) | (45,394) |
| **Closing fair value of scheme assets** | **1,379,403** | **1,147,294** |

### Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

| | 2020/21 £000s | 2019/20 £000s |
|---|---|---|
| Opening balance at 1 April | 1,503,182 | 1,769,228 |
| Current service costs | 39,260 | 50,639 |
| Effect of Settlements | 0 | 0 |
| Interest cost | 34,575 | 42,704 |
| Contributions by scheme participants | 7,116 | 7,111 |
| Remeasurement (gains)/losses: | | |
| Actuarial gains/losses arising from changes in demographic assumptions | 9,865 | (119,591) |
| Actuarial gains/losses arising from changes in financial assumptions | 394,845 | (48,969) |
| Other | (16,737) | (159,941) |
| Past service cost | 808 | 7,395 |
| Benefits paid | (44,889) | (45,394) |
| **Closing balance at 31 March** | **1,928,025** | **1,503,182** |

**Local Government Pension Scheme assets comprised:**

| | 31-Mar-21 | | | | 31-Mar-20 | | | |
|---|---|---|---|---|---|---|---|---|
| | Scheme assets with quoted prices in active markets | Scheme asset values NOT from quoted active markets | Total | Percentage of total assets | Scheme assets with quoted prices in active markets | Scheme asset values NOT from quoted active markets | Total | Percentage of total assets |
| Asset Category | £000s | £000s | £000s | % | £000s | £000s | £000s | % |
| **Equity Securities:** | | | | | | | | |
| Consumer | 121,042 | 0 | 121,042 | 9 | 104,158 | 0 | 104,158 | 9 |
| Manufacturing | 107,800 | 0 | 107,800 | 8 | 88,122 | 0 | 88,122 | 8 |
| Energy & Utilities | 66,892 | 0 | 66,892 | 5 | 65,970 | 0 | 65,970 | 6 |
| Financial Institutions | 144,901 | 0 | 144,901 | 10 | 127,511 | 0 | 127,511 | 11 |
| Health & Care | 68,944 | 0 | 68,944 | 5 | 51,732 | 0 | 51,732 | 4 |
| Information Technology | 72,860 | 0 | 72,860 | 5 | 46,018 | 0 | 46,018 | 4 |
| Other | 22,286 | 0 | 22,286 | 2 | 23,935 | 0 | 23,935 | 2 |
| **Debt Securities:** | | | | | | | | |
| Corporate Bonds (investment grade) | 66,675 | 0 | 66,675 | 5 | 43,386 | 0 | 43,386 | 4 |
| Corporate Bonds (non-investment grade) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| UK Government | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 17,919 | 0 | 17,919 | 1 | 37,003 | 0 | 37,003 | 3 |
| **Private Equity:** | | | | | | | | |
| All | 0 | 82,101 | 82,101 | 6 | 0 | 59,232 | 59,232 | 5 |

| | 31-Mar-21 | | | | 31-Mar-20 | | | |
|---|---|---|---|---|---|---|---|---|
| | Scheme assets with quoted prices in active markets | Scheme asset values NOT from quoted active markets | Total | Percentage of total assets | Scheme assets with quoted prices in active markets | Scheme asset values NOT from quoted active markets | Total | Percentage of total assets |
| **Asset Category** | **£000s** | **£000s** | **£000s** | **%** | **£000s** | **£000s** | **£000s** | **%** |
| **Real Estate:** | | | | | | | | |
| UK Property | 0 | 51,541 | 51,541 | 4 | 0 | 48,342 | 48,342 | 4 |
| Overseas Property | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Investment Funds & Unit Trusts:** | | | | | | | | |
| Equities | 123,940 | 0 | 123,940 | 9 | 115,120 | 0 | 115,120 | 10 |
| Bonds | 174,810 | 0 | 174,810 | 12 | 132,471 | 0 | 132,471 | 12 |
| Infrastructure | 0 | 70,318 | 70,318 | 5 | 0 | 55,661 | 55,661 | 5 |
| Other | 29,899 | 131,167 | 161,066 | 12 | 28,771 | 101,663 | 130,434 | 11 |
| **Derivatives:** | | | | | | | | |
| Other | (1,107) | 0 | (1,107) | 0 | 0 | 0 | 0 | 0 |
| **Cash & Cash Equivalents:** | | | | | | | | |
| All | 27,415 | 0 | 27,415 | 2 | 18,199 | 0 | 18,199 | 2 |
| **Totals** | **1,044,276** | **335,127** | **1,379,403** | **100** | **882,396** | **264,898** | **1,147,294** | **100** |

**Basis for estimating liabilities**

Liabilities 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 Greater Manchester Pension Scheme has been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary have been:

| | 2020/21 | 2019/20 |
|---|---|---|
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners: | | |
| Men | 20.5 | 20.5 |
| Women | 23.3 | 23.1 |
| Longevity at 65 for future pensioners: | | |
| Men | 21.9 | 22.0 |
| Women | 25.3 | 25.0 |
| Rate of inflation (CPI) | 2.85% | 1.90% |
| Rate of increase in pensions | 2.85% | 1.90% |
| Rate of increase in salaries | 3.60% | 2.70% |
| Rate for discounting scheme liabilities | 2.00% | 2.30% |

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

| | Impact on the Defined Benefit Obligation in the Scheme | |
|---|---|---|
| | Increase in Assumption £000s | Decrease in Assumption £000s |
| Rate of increase in salaries (increase or decrease by 0.5%) | 18,430 | |
| Rate of increase in pensions (increase or decrease by 0.5%) | 169,262 | |
| Rate for discounting scheme liabilities (increase or decrease by 0.5%) | | 191,754 |

**Impact on the Council's Cash Flows**

The objectives of the scheme are to keep the employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to maintain the solvency of the fund over the next 3 years. The last valuation was completed on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

It is estimated that the employers' contributions to the scheme will be approximately £23,533,000 in 2021/22.

The weighted average duration of the defined benefit obligation for scheme members is 17.3 years based on the 31 March 2019 formal valuation.

## 43 Contingent Liabilities

**Municipal Mutual Insurance Ltd**

In January 1994, the Council's then insurer, Municipal Mutual Insurance (MMI), made a Scheme of Arrangement with its creditors. Under this scheme claims were initially paid out in full, but if the eventual winding up of the company resulted in insufficient assets to meet all liabilities, a claw back clause would be triggered, which could relate to claims already paid out, as well as those outstanding. Bolton Council has its own share of this potential liability, but also is liable for a 10.33% share of the claw back (based on population figures) which relates to the former Greater Manchester Council.

The claw back was triggered in November 2012. Ernst & Young, the administrators of the Scheme made an initial levy of 15% on known claims, and this has been paid, both Bolton's share and its share of the GMC levy. On the 1 April 2016 a second Levy Notice was issued stating that the levy should now be set at 25%, an increase of 10% from the Levy Notice issued in January 2014. However due to the latent nature of many claims still being received by MMI, and the fact that many of the trends in reporting continue to be adverse, the projections are subject to substantial uncertainty, and could prove to be very understated. Ernst & Young will continue to regularly review the levy rate.

Therefore, in addition to the 25% levy which has been paid, (£1,260k for Bolton, and £165k for the GMC share), the Council has included for a further 10% (£374k) – giving 35% in total as a provision – based on the advice of the Actuary. The remainder of the total potential liability has been included as a contingent liability (£3,344k in total).

**Property Searches**

Bolton Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. The group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is also possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present. A reserve has been created to cover these costs.

**Business Rate Appeals**

From April 2013, Bolton Council became responsible for the collection and distribution of National Non Domestic Rates (NNDR). NNDR taxpayers are able to appeal against the Rateable Value (RV) of their property. 99% of the impact of any successful appeal would need to be met by the Council. A provision has been established for the impact of known appeals. Further appeals may be made but the Council is unable to quantify this potential liability or where properties are moved from the local list to the national list.

## 44 External Audit Costs

The 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 £000s** | **2019/20 £000s** |
|---|---|---|
| Fees payable with regard to external audit services carried out by the appointed auditor for the year – Mazars | 115 | 94 |
| **Total** | **115** | **94** |

Fees relating to 20/21 include £21,700 relating to additional fees for 19/20.

## 45 Trust Funds

The Council is responsible for the administration of individual trust funds. The funds are invested in marketable securities and are not included in the Comprehensive Income and Expenditure Statement or Balance Sheet. The trust funds are shown below:

| | Balance at 1 April 2020 | Income | Expenditure | Balance at 31 March 2021 | Represented by: Cash / Other Balances | External Investments | Total |
|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ |
| **Environmental Services** | | | | | | | |
| Red Lion Playing Field Trust | 2,158 | 0 | 0 | 2,158 | 1,214 | 944 | 2,158 |
| Topps Trust Fund | 1,647 | 0 | 0 | 1,647 | 1,647 | 0 | 1,647 |
| **Children's Services** | | | | | | | |
| Leigh Bramwell | 97,120 | 1,078 | 0 | 98,198 | 20,352 | 77,846 | 98,198 |
| Westhoughton Education Trust | 39,594 | 1,115 | 540 | 40,169 | 15,803 | 24,366 | 40,169 |
| **Total** | **140,519** | **2,193** | **540** | **142,172** | **39,016** | **103,156** | **142,172** |

# Group Accounts

The Council has prepared the following Group Accounts due to its ownership of Bolton Cares Ltd and its link with PSP Bolton. Details of PSP Bolton are set out in note 15.

## Comprehensive Income and Expenditure Statement

| 2019/20 | | | | 2020/21 | | |
|---|---|---|---|---|---|---|
| £000s | £000s | £000s | | £000s | £000s | £000s |
| **Expenditure** | **Income** | **Net** | | **Expenditure** | **Income** | **Net** |
| 141,591 | (45,462) | 96,129 | Adult Services and Public Health | 151,443 | (81,418) | 70,025 |
| 316,472 | (223,540) | 92,932 | Children's Services | 319,155 | (242,087) | 77,068 |
| 117,917 | (102,425) | 15,492 | Leader | 112,653 | (96,144) | 16,509 |
| 41,428 | (10,805) | 30,623 | Deputy Leader | 39,039 | (12,423) | 26,616 |
| 2,946 | (1,256) | 1,690 | Strategic Planning and Housing | 7,404 | (4,541) | 2,863 |
| 4,198 | (3,955) | 243 | Environment Regulatory | 4,513 | (2,097) | 2,416 |
| 51,264 | (27,627) | 23,637 | Environment Delivery | 37,577 | (17,278) | 20,299 |
| 22,175 | (6,574) | 15,601 | Highways and Transport | 22,599 | (7,233) | 15,366 |
| 2,842 | (439) | 2,403 | Stronger Communities | 3,316 | (1,913) | 1,403 |
| 9,344 | (13,406) | (4,062) | Financial Services | 13,113 | (33,911) | (20,798) |
| **710,177** | **(435,489)** | **274,688** | **Cost of Services** | **710,812** | **(499,045)** | **211,767** |
| | | | **Other operating expenditure** | | | |
| | | 13,323 | Loss on disposal of property plant & equipment | | | 11,974 |
| | | 0 | Disposal of Academy assets | | | 0 |
| | | (2,142) | Right to Buy Receipts | | | (1,803) |
| | | 35,731 | Levies | | | 37,268 |
| | | 402 | Parish Precepts | | | 422 |
| | | **47,314** | **Total Operating Expenditure** | | | **47,861** |

| 2019/20 | | | | 2020/21 | | |
|---|---|---|---|---|---|---|
| **£000s** | **£000s** | **£000s** | | **£000s** | **£000s** | **£000s** |
| **Expenditure** | **Income** | **Net** | | **Expenditure** | **Income** | **Net** |
| | | 2,272 | Financing & investment income and expenditure | | | 11,691 |
| | | (239,064) | Taxation & non-specific grant income | | | (251,890) |
| | | **85,210** | **Deficit/(surplus) for year** | | | **19,429** |
| | | (216) | Share of the surplus/deficit on the provision of services by joint ventures | | | (255) |
| | | **84,994** | **Group surplus/deficit** | | | **19,174** |
| | | (10,136) | Surplus/deficit on revaluation of Property, Plant and Equipment | | | (22,744) |
| | | 22,675 | Surplus/deficit on Financial Instruments held at Fair Value through Other Comprehensive Income | | | (2,050) |
| | | (143,668) | Actuarial gains/losses on pensions | | | 173,163 |
| | | **(131,129)** | **Other comprehensive Income** | | | **148,369** |
| | | **(46,135)** | **Total Comprehensive Income and Expenditure** | | | **167,543** |

# Movement in Reserves Statement

| Summary MIRS | General Fund Balance | General Fund Balance – Collection Fund | Earmarked General Fund Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves | Council Share of Group Reserves | Total Group reserves |
|---|---|---|---|---|---|---|---|---|---|
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| **Balance 1 April 2019** | **10,660** | **0** | **98,217** | **13,944** | **41,671** | **164,492** | **69,119** | **6,409** | **240,020** |
| Adjustment to Opening Balance | 0 | | 0 | 0 | 0 | 0 | 5,599 | (3,380) | 2,219 |
| Total Comprehensive Income and Expenditure | (84,994) | | | | | (84,994) | 132,452 | (1,320) | 46,138 |
| Adjustments from income & expenditure charge under the accounting basis to the funding basis | 72,084 | | 0 | 47 | (12,319) | 59,812 | (59,871) | 59 | 0 |
| Increase or (Decrease) in 2019/20 | (12,910) | | 0 | 47 | (12,319) | (25,182) | 72,581 | (1,261) | 46,138 |
| Transfers to/from earmarked reserves | 12,910 | | (12,978) | 3 | 25 | (40) | (3) | (4,209) | (4,252) |
| **Balance at 31 March 2020 carried forward** | **10,660** | **0** | **85,239** | **13,994** | **29,377** | **139,270** | **147,296** | **(2,441)** | **284,125** |
| | | | | | | | | | |
| **Balance 1 April 2020** | **10,660** | **0** | **85,239** | **13,994** | **29,377** | **139,270** | **147,296** | **(2,441)** | **284,125** |
| Adjustments to Opening Balance | | | 5,147 | | | 5,147 | (5,147) | 900 | 900 |
| Total Comprehensive Income and Expenditure | (52,905) | 45,145 | | | | (7,760) | (156,821) | (2,962) | (167,543) |
| Adjustments from income & expenditure charge under the accounting basis to the funding basis | 92,049 | | 0 | (3,633) | 6,265 | 94,681 | (94,655) | (26) | (0) |
| Increase or (Decrease) in 2020/21 | 39,144 | 45,145 | 0 | (3,633) | 6,265 | 86,921 | (251,476) | (2,988) | (167,543) |
| Transfers to/from earmarked reserves | (39,144) | | 38,090 | 3 | 0 | (1,051) | (3) | 1,054 | 0 |
| **Balance at 31 March 2021 carried forward** | **10,660** | **45,145** | **128,476** | **10,364** | **35,642** | **230,287** | **(109,330)** | **(3,475)** | **117,482** |

# Balance Sheet

| 31 March 2020 £000s | | 31 March 2021 £000s |
|---|---|---|
| | **Property, Plant & Equipment** | |
| 435,249 | - Other land and buildings | 441,748 |
| 7,273 | - Vehicles, plant, furniture & equipment | 4,319 |
| 136,135 | - Infrastructure | 141,786 |
| 10,218 | - Community assets | 10,241 |
| 9,699 | - Assets under construction | 1,233 |
| 717 | - Surplus assets | 735 |
| **599,291** | | **600,062** |
| 69,131 | Heritage assets | 69,131 |
| 35,672 | Investment property | 35,421 |
| 55 | Intangible assets | 42 |
| | | |
| 2,550 | Investments in Joint Venture | 2,760 |
| 32,414 | Long Term Investments | 38,204 |
| 29,739 | Long Term Debtors | 38,866 |
| **768,852** | **Long Term Assets** | **784,486** |
| | | |
| 70,321 | Short Term Investments | 75,177 |
| 652 | Inventories | 859 |
| 39,151 | Short Term Debtors | 42,152 |
| 5,738 | Prepayments | 6,704 |
| 36,028 | Cash and Cash Equivalents | 43,734 |
| **151,890** | **Current Assets** | **168,626** |
| | | |
| (1,818) | Short Term Borrowing | (1,815) |
| (62,539) | Short Term Creditors | (50,203) |
| (3,459) | Provisions for current liabilities | (4,891) |
| (2,079) | Revenue Grants in Advance | (17,744) |
| **(69,895)** | **Current Liabilities** | **(74,653)** |
| | | |
| (18,412) | Provisions for long term liabilities | (19,801) |
| (178,589) | Long Term Borrowing | (178,572) |
| (7,543) | Other Long Term Liabilities | (5,456) |
| (362,178) | Net Pensions Liability | (557,148) |
| **(566,722)** | **Long Term Liabilities** | **(760,977)** |
| | | |
| **284,125** | **Net Assets** | **117,482** |

| 31 March 2020 £000s | | 31 March 2021 £000s |
|---|---|---|
| | **Represented by:** | |
| | **Usable Reserves** | |
| 10,660 | - General Fund Balance | 10,660 |
| 0 | - General Fund Balance – Collection Fund | 45,145 |
| 6,876 | - Earmarked Statutory Reserves | 13,360 |
| (2,441) | - Group reserves | (3,475) |
| 78,363 | - Earmarked Policy Reserves | 115,116 |
| 13,994 | - Capital Receipts Reserve | 10,364 |
| 29,377 | - Capital Grants Received in Advance | 35,642 |
| **136,829** | | **226,812** |
| | **Unusable Reserves** | |
| 231,421 | - Revaluation Reserve | 244,573 |
| 20,300 | - Financial Instruments Revaluation Reserve | 22,350 |
| (12,423) | - Financial Instruments Adjustment Account | (12,120) |
| (355,888) | - Pensions Reserve | (548,622) |
| 10,517 | - Deferred capital receipts | 10,517 |
| 255,219 | - Capital Adjustment Account | 238,960 |
| 0 | - Dedicated Schools Grant Adjustment Account | (16,561) |
| 1,877 | - Collection Fund Adjustment Account | (43,268) |
| (3,727) | - Short-term Accumulating Compensated Absences Account | (5,159) |
| **147,296** | | **(109,330)** |
| **284,125** | **Total Reserves** | **117,482** |

# Cash Flow Statement

| 31 March 2020 £000s | | 31 March 2021 £000s |
|---|---|---|
| 84,994 | Net (surplus) or deficit on the provision of services | 19,174 |
| (112,820) | Adjustments to net (surplus) or deficit on the provision of services for non-cash movements | (78,391) |
| 12,715 | Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities | 21,891 |
| **(15,111)** | **Net cash flows from Operating Activities** | **(37,326)** |
| (14,081) | Investing Activities | 27,532 |
| 13,364 | Financing Activities | 2,088 |
| **(15,828)** | **Net (increase) or decrease in cash and cash equivalents** | **(7,706)** |
| | | |
| 20,200 | Cash and cash equivalents at the beginning of the reporting period | 36,028 |
| 15,828 | (Decrease) or Increase in cash as above | 7,706 |
| **36,028** | **Cash and cash equivalents at the end of the reporting period** | **43,734** |

## Group Accounting Policies

The Accounting Policies of Bolton Cares Ltd have been aligned with the Council's Accounting Policies contained in Note 1. Any statutory adjustments between accounting basis and funding basis included in the Council's Accounting Policies do not apply to the company.

Notes within the group accounts have not been provided except for Defined Benefit Pensions as there are no material differences except for those provided in Note 42.

## Pension Scheme – Group Summary

Transactions Relating to Retirement Benefits

| | 2020/21 £000s | 2019/20 £000s |
|---|---|---|
| **Comprehensive Income and Expenditure Statement** | | |
| **Cost of Services:** | | |
| Current service cost | 39,591 | 51,081 |
| Past service costs | 808 | 7,395 |
| Effect of Settlements | 0 | 0 |
| **Financing and Investment Income and Expenditure** | | |
| Net interest expense | 8,464 | 11,420 |
| **Total Post-Employment Benefits Charged to the Deficit on the Provision of Services** | **48,863** | **69,896** |
| **Other Post-employment Benefit 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) | (220,757) | 188,118 |
| Actuarial gains and losses arising on changes in demographic assumptions | 10,019 | (120,808) |
| Actuarial gains and losses arising on changes in financial assumptions | 400,885 | (49,779) |
| Other | (16,984) | (161,199) |
| **Total remeasurements recognised in Other Comprehensive Income (OCI)** | **173,163** | **(143,668)** |
| **Movement in Reserves Statement** | | |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code | 48,863 | 69,896 |
| **Actual amount charged against the General Fund Balance for pensions in the year:** | | |
| Employers' contributions payable to the scheme | 26,069 | 26,328 |

### Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

| | Local Government Pension Scheme | |
|---|---|---|
| | 2020/21 £000s | 2019/20 £000s |
| Present value of the defined benefit obligation | 1,955,396 | 1,524,861 |
| Fair Value of Plan Assets | (1,398,248) | (1,162,683) |
| **Net liability arising from defined benefit obligation** | **557,148** | **362,178** |

**Reconciliation of the Movements in the Fair Value of Plan Assets**

| | Local Government Pension Scheme | |
|---|---|---|
| | 2020/21 £000s | 2019/20 £000s |
| Opening fair value of scheme assets | 1,162,683 | 1,331,699 |
| late actuarial adjustment | 397 | (358) |
| Interest income | 26,594 | 31,870 |
| Effect of Settlements | 0 | 0 |
| Remeasurement gain/(loss): | 0 | 0 |
| The return on the plan assets, excluding the amount included in the net interest expense | 220,757 | (188,118) |
| Contributions from employer | 26,069 | 26,328 |
| Contributions from employees into the scheme | 7,173 | 7,177 |
| Benefits paid | (45,425) | (45,915) |
| **Closing fair value of scheme assets** | **1,398,248** | **1,162,683** |

**Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)**

| | Funded Liabilities: Local Government Pension Scheme | |
|---|---|---|
| | 2020/21 £000s | 2019/20 £000s |
| Opening balance at 1 April | 1,524,861 | 1,796,311 |
| late actuarial adjustment | (590) | (2,692) |
| Current service costs | 39,591 | 51,081 |
| Effect of Settlements | 0 | 0 |
| Interest cost | 35,058 | 43,290 |
| Contributions by scheme participants | 7,173 | 7,177 |
| Remeasurement (gains)/losses: | | |
| Actuarial gains/losses arising from changes in demographic assumptions | 10,019 | (120,808) |
| Actuarial gains/losses arising from changes in financial assumptions | 400,885 | (49,779) |
| Other | (16,984) | (161,199) |
| Past service cost | 808 | 7,395 |
| Benefits paid | (45,425) | (45,915) |
| **Closing balance at 31 March** | **1,955,396** | **1,524,861** |

**Pension Scheme Assets**

| Asset Category | 31-Mar-21 £000s | 31-Mar-20 £000s |
|---|---|---|
| Equity Securities: | 612,987 | 514,252 |
| Debt Securities: | 85,750 | 81,467 |
| Private Equity: | 83,223 | 60,027 |
| Real Estate: | 52,245 | 48,990 |
| Investment Funds & Unit Trusts: | 537,377 | 439,504 |
| Derivatives: | | |
| Other | (1,123) | 0 |
| Cash & Cash Equivalents: | 27,789 | 18,443 |
| **Totals** | **1,398,248** | **1,162,683** |

Basis for estimating assets and liabilities

The principal assumptions used for Bolton Cares Limited by the actuary have been:

| | 2020/21 | 2019/20 |
|---|---|---|
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners: | | |
| Men | 20.5 | 20.5 |
| Women | 23.3 | 23.1 |
| Longevity at 65 for future pensioners: | | |
| Men | 21.9 | 22.0 |
| Women | 25.3 | 25.0 |
| Rate of inflation (CPI) | 2.85% | 1.90% |
| Rate of increase in pensions | 2.85% | 1.90% |
| Rate of increase in salaries | 3.60% | 2.70% |
| Rate for discounting scheme liabilities | 2.00% | 2.30% |

| | Impact on the Defined Benefit Obligation in the Scheme | |
|---|---|---|
| | **Increase in Assumption £000s** | **Decrease in Assumption £000s** |
| Rate of increase in salaries (increase or decrease by 0.5%) | 18,666 | |
| Rate of increase in pensions (increase or decrease by 0.5%) | 171,601 | |
| Rate for discounting scheme liabilities (increase or decrease by 0.5%) | | 194,383 |

## Collection Fund

This account reflects statutory requirements for billing authorities to maintain a separate collection fund to account for the income from Council tax and business rates. This income finances payment of business rates to the national pool and the net expenditure requirements of the Council and pay precepts to the Police and Fire and Rescue Authorities.

### Income and Expenditure Account

| Council Tax 2019/20 | NNDR 2019/20 | Total 2019/20 | | Council Tax 2020/21 | NNDR 2020/21 | Total 2020/21 |
|---|---|---|---|---|---|---|
| £000s | £000s | £000s | | £000s | £000s | £000s |
| | | | **Income** | | | |
| 136,295 | 0 | 136,295 | Council Tax | 140,754 | 0 | 140,754 |
| 0 | 90,331 | 90,331 | Business Rates | 0 | 48,711 | 48,711 |
| **136,295** | **90,331** | **226,626** | | **140,754** | **48,711** | **189,465** |
| | | | **Expenditure** | | | |
| | | | **Distribution of Previous Year's surplus/(deficit)** | | | |
| 858 | 2,276 | 3,134 | Bolton Council | 253 | 1,317 | 1,570 |
| 0 | 0 | 0 | Greater Manchester Police | 0 | 0 | 0 |
| 0 | 23 | 23 | Greater Manchester Fire | 0 | 13 | 13 |
| 102 | 0 | 102 | Mayoral Police and Crime Commissioner Precept | 33 | 0 | 33 |
| 40 | 0 | 40 | Mayoral General Precept (including Fire Services) | 13 | 0 | 13 |
| 0 | 0 | 0 | Central Government | 0 | 0 | 0 |
| | | | **Precepts and Demands:** | | | |
| 112,611 | 79,273 | 191,884 | Bolton Council | 115,914 | 82,440 | 198,354 |
| 0 | 0 | 0 | Greater Manchester Police | 0 | 0 | 0 |
| 0 | 0 | 0 | Greater Manchester Fire | 0 | 0 | 0 |
| 14,969 | 0 | 14,969 | Mayoral Police and Crime Commissioner Precept | 15,867 | 0 | 15,867 |
| 5,809 | 801 | 6,610 | Mayoral General Precept (including Fire Services) | 6,928 | 833 | 7,761 |
| 0 | 2,403 | 2,403 | Transitional Relief | 0 | 2,024 | 2,024 |
| | | | Business Rates: | | | |
| 0 | 400 | 400 | Cost of Collection Allowance | 0 | 399 | 399 |
| | | | Appeals: | | | |
| 0 | 3,730 | 3,730 | Provision and Write Offs | 0 | 2,598 | 2,598 |
| | | | Allowance for Impairment: | | | |
| 2,266 | 1,889 | 4,155 | Provision and Write Offs | 3,389 | 3,301 | 6,690 |
| **136,655** | **90,795** | **227,450** | | **142,397** | **92,925** | **235,322** |
| (360) | (464) | (824) | Surplus/(Deficit) for the Year | (1,643) | (44,214) | (45,857) |
| 809 | 1,871 | 2,680 | Surplus/(Deficit) at Beginning of Year ** | 449 | 1,408 | 1,857 |
| **449** | **1,407** | **1,856** | **Surplus/(Deficit) at End of Year** | **(1,194)** | **(42,806)** | **(44,000)** |

# Notes to the Collection Fund Accounts

## 1. Council Tax

The total amount to be raised by the tax is determined by the budget requirements of Bolton Council, Greater Manchester Combined Authority (GMCA) incorporating the Mayoral Police and Crime Commissioner precept and the Mayoral General (previously Fire) precept, and the retained share of the Non Domestic Rates.

The Council Tax to be levied on a Band D property is calculated by dividing the total amount to be raised from the Council Tax (including the Police and Mayoral requirements) by the tax base. This is done by multiplying the number of properties in the band by the specified fraction of the band D charge payable by each band and is shown for 2020/21 in the following table:

| | Range of Values | Total Number of Dwellings After Adjustments* | Specified Fraction | Band D Equivalent | % of Total Band D |
|---|---|---|---|---|---|
| Band A (disabled) | Up to £40,000 | 116 | 5/9 | 64 | 0.1 |
| Band A | Up to £40,000 | 41,336 | 6/9 | 27,557 | 35.5 |
| Band B | £40,000 to £52,000 | 17,630 | 7/9 | 13,712 | 17.6 |
| Band C | £52,001 to £68,000 | 16,052 | 8/9 | 14,268 | 18.4 |
| Band D | £68,001 to £88,000 | 9,502 | 1 | 9,502 | 12.2 |
| Band E | £88,001 to £120,000 | 5,140 | 11/9 | 6,282 | 8.1 |
| Band F | £120,001 to £160,000 | 2,106 | 13/9 | 3,042 | 3.9 |
| Band G | £160,001 to £320,000 | 1,730 | 15/9 | 2,883 | 3.7 |
| Band H | More than £320,000 | 209 | 18/9 | 418 | 0.5 |
| Total | | 93,821 | | 77,728 | 100.0 |

| | |
|---|---|
| Estimated collection rate | 98% |
| Council Tax base for tax setting 2020/21 | 76,173 |

* for new/demolished property, exemptions, disablement relief, appeals and discounts (including those granted under the Council Tax Support Scheme)

## 2. Income from Business Ratepayers (National Non-Domestic Rates, NNDR).

From 1 April 2013 National Non-Domestic Rates are organised on a local basis. However, the Government specifies the amount (51.2p in 2020/21, compared to 50.4p in 2019/20) and local businesses pay rates calculated by multiplying their rateable values by that amount. The Council is responsible for collecting rates due from ratepayers in its area. Commencing 1 April 2017 Bolton Council formed part of the Greater Manchester 100% Business Rates Pilot and was allowed to retain 99% of the net rates payable, with 1% payable to GMCA for the Mayoral precept (including Fire Services). Under this pilot RSG and Public Health Grant were removed as sources of funding – the underlying principle being that the scheme should be fiscally neutral to the Council. However, under the pilot the Council has 100% responsibility for both the rewards of extra growth and the risks of non-collection.

The NNDR rateable value for the Council's area at 31 March 2021 was £235,843,945 compared to £235,421,251 at 31 March 2020.

The Gross NNDR debit for the year was £116,110,219 (£114,086,293 after adjustments relating to transitional reliefs and appeals). After adjusting for mandatory and discretionary reliefs the net debit was £48,710,519.

## Statement of Responsibilities for the Accounts

**The Authority's responsibilities**

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Deputy Chief Executive) has responsibility for the administration of those affairs;
- 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 responsibilities**

The Deputy Chief Executive is responsible for the preparation of the Statement of Accounts (which includes the financial statements) 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 has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error,

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2021 and of its income and expenditure for the year then ended.

Sue Johnson
Deputy Chief Executive
17 November 2021

# Annual Governance Statement

## 1. Introduction

1.1. This statement provides an overview of how the Council's governance arrangements operate, including how they are reviewed annually to ensure they remain effective. A brief summary of significant governance challenges which the Council faces is also given, alongside an explanation of what actions have been taken to bring about required improvements, and what work is still to be done. This provides transparency, and gives assurance that the Council is committed to continuously improve the way in which it functions.

1.2. The Council operates in a complex and constantly changing financial, policy and legislative environment; and the role, responsibilities and funding models of local government continue to evolve in response to national, sub regional and local developments. Priorities are informed by this context and are set out in the Bolton 2030 strategy, Vision and Corporate Plan which is based on a programme of continuous engagement of staff, residents and stakeholders across the Borough. Arrangements for the achievement of priorities are set out in corporate and departmental plans and budgets that cascade into service, team and individual plans, targets and performance measures.

1.3. The public health emergency caused by the COVID-19 pandemic have impacted the borough of Bolton and the Council over the last year. This has had implications for a wide range of areas including the design and provision of services to support residents, businesses and partners; ways of working, wellbeing and welfare of the workforce; and our financial position. Effective leadership and governance of the response and recovery within the Council and with partners have been critical and have built on the positive relationships established between the Council and colleagues across the health and care system; but also across housing, education, business support, voluntary, community and other public sector partnerships. Over the last 12 months the Council had evolved its governance arrangements to enable an effective response to the pandemic; to plan and pursue recovery priorities; and ensure that the needs of the most vulnerable of Bolton residents have been met.

1.4. The impacts of the pandemic will continue throughout 2021/22 but there are other governance priorities and challenges to be managed. These include NHS structural reform and local integration of health and care services; delivery of savings and financial resilience; economic recovery and development of the Borough through capital investment; work on the delivery of shared sub-regional priorities as part of the GM Combined Authority; and responding to changes in national legislation and standards including changes that continue to result from EU exit.

1.5. These changes present both opportunities and challenges to develop and deliver improved outcomes for Bolton residents. To ensure that opportunities are seized and challenges overcome, the Council must ensure it has strong, transparent leadership, governance and decision making arrangements; robust financial planning, management and control; and a strong programme of prioritisation, business planning, development and improvement work so that it can maintain services for residents which are efficient, effective and value for money using available resources. This document explains the governance mechanisms in place to ensure appropriate oversight of this work.

## 2. Scope of Responsibility

2.1. Bolton Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

2.2. In discharging these responsibilities, the Council must put in place proper arrangements for the governance of its affairs and effective exercise of its functions, which includes arrangements for the management of risk. The Council's Constitution sets out how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose.

2.3. The Code of Corporate Governance and the Council's Constitution are reviewed annually to ensure they remain consistent with the principles of the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives and Senior Managers (CIPFA/SOLACE) joint framework for delivering good governance in local government. CIPFA issued a 2016 update to the Framework, which is applicable for the preparation of the Annual Governance Statement (AGS) and on which the revised Code is based.

2.4. This AGS explains how the Council has complied with the Code of Corporate Governance. The AGS also meets the requirements of the Accounts and Audit (England) Regulations 2015 regulation 6(1) which requires all relevant bodies to prepare an Annual Governance Statement (AGS).

## 3. The Purpose of the Governance Framework

3.1. The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

3.2. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Bolton Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

## 4. The Governance Framework:

4.1. The governance framework has been in place at Bolton Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts. Key elements of the framework are set out below and some examples of how governance arrangements have been adapted to respond to the challenges presented by COVID-19 are emphasised in italics.

| | |
|---|---|
| Planning and Performance | A strategic planning system which identifies priorities and key aims. These are set out in the Borough's Community Strategy: "Bolton: 2030" produced by Bolton's partnership Bolton Vision. In addition to specific aims the plan embraces the underlying concepts of continuous improvement and delivery of priority developments to address big issues. This vision is supported by economic, regeneration and other development plans.<br><br>The delivery of key aims is addressed through the Corporate Business Planning Process and Corporate Plan. Directorate Plans are in place and provide a golden thread from Strategy through directorate and service business planning and team and individual objectives.<br><br>Directorate and service plans set out how each division will deliver the appropriate strategy outcomes, savings targets, and other divisional priorities.<br><br>Performance management process which identifies targets against agreed priorities, monitors and reports performance and, where necessary implements improvement actions. Performance reports are reviewed by Departmental and Corporate Leadership Teams and provided to Executive Cabinet Members each quarter to update on key issues including those arising from the monitoring of performance and risks.<br><br>Strategic budget process, which includes the delivery of the Council's savings and efficiency programme. This is shaped by the priorities set out in Bolton 2030.<br><br>Framework of policy plans (some statutory, some local) which are reviewed periodically and assist policy formulation.<br><br>Protocols in place to manage partnership arrangements.<br><br>*For 2020/21 the core planning and reporting process has been enhanced through daily/weekly situation planning and reporting at service, director and corporate level. This was required to ensure a timely and robust response from across the Council to the COVID-19 pandemic. It enables the prioritisation of actions and resources including the redeployment of the workforce to support critical activities across the Borough. This included the establishment of response and recovery groups reporting to Cabinet and key stakeholders on the issues and risks arising from COVID-19 and ensuring coordination of the Council and partnership response to mitigate and manage the impacts of the pandemic.* |

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| Legal and Transparency | Legal, policy and procedural requirements are incorporated in the Council's Constitution and supporting documentation. Compliance is enforced by a range of measures including: Executive Cabinet Member reporting, Member scrutiny, external inspection and audit, performance management and benchmarking, management oversight, internal audit and physical and procedural controls.<br><br>Legal compliance is overseen by the Borough Solicitor (Statutory Officer) supported by in house legal and democratic services teams, with authority to secure additional, external legal expertise for advice and support on complex matters.<br><br>Openness is promoted through the Council's website and public access to Council and Committee meetings with agenda and reports available on the Council's website (other than in limited circumstances where consideration of confidential or exempt information means that the public are excluded).<br><br>The Council ensures compliance with the Transparency Code and responds to requests for information under the Freedom of Information Act and data protection legislation; as well as though a corporate complaints process.<br><br>*In 2020/21 the Borough Solicitor in conjunction with the Chief Executive, Deputy Chief Executive and Chief Officers has ensured that any changes to standard process and decision making that were required to ensure an effective response to urgent risks arising from COVID-19 have been in line with the Constitution and subject to appropriate legal and financial oversight and Member approval.* |
| Risk | Process of Risk Management including review of strategic risks, an assessment of the likelihood and potential impact of risks and registers which record responsibility for managing risk and the action taken.<br><br>Process of Business Continuity Management including service review of key risks to the commissioning and delivery of services; and development of plans to ensure the ongoing delivery of critical services during times of crisis which could include loss of workforce, ICT or critical buildings.<br><br>Process of Incident Response / Civil Contingency Planning that guides the Council' leadership response to critical incidents across the Borough that could include fire, flood or a health-related outbreak.<br><br>The appointment of Senior Information Risk Owner (SIRO), Information Governance Steering Committee and production of wide-ranging guidance on information governance, risk and security.<br><br>*For 2020/21 the business continuity, risk and civil contingencies frameworks were applied and adapted to support the Council response to the COVID-19 pandemic. Key risks and issues were identified and managed as part of the established COVID-19 response and recovery structures. This included arrangements to address risks both to residents, businesses and the Borough but also the workforce and partnerships for example through arrangements to ensure that buildings and premises were COVID-19 secure and through redeployment of staff to areas of highest identified risk.* |

| | |
|---|---|
| People | Officer and Member Codes of Conduct guide and direct behaviours and standards expected of staff and Councillors<br><br>Staff engagement and development through process of staff feedback surveys, personal development reviews and programme of learning and development activity across services.<br><br>Conduct and behaviours for staff are set out in a behaviours framework that clearly articulates the expectations of all those who work for, or with, the Council. This framework also informs individual development through Insight Exchange - a structured approach to strengths-based conversations, performance management and personal learning and development.<br><br>Engagement includes a comprehensive range of staff briefings, engagement events and senior officer leadership sessions. These are supported by regular Chief Executive communications and information cascade through email, team talks and use of the intranet / SharePoint.<br><br>*In 2020/21 these arrangements and engagement with staff have been more critical than ever and the scale, frequency and accessibility of communications with staff including team meetings, webcasts and email cascade has been further developed to ensure the workforce were kept appraised of developments arising from the response and recovery to COVID-19.* |
| Finance | Financial management arrangements comply with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010).<br><br>The financial management of the authority is structured through Financial Regulations and financial Standing Orders, which are subject to regular review and approval, supported by a framework of regular management information, administrative procedures, management supervision and a system of delegation and accountability.<br><br>Value for Money is promoted across the organisation through the Council's corporate planning and budget setting process; commissioning and procurement processes; and performance management arrangements.<br><br>Internal and External Audit provide independent assessment of the financial management and financial reporting of the Authority<br><br>*In 2021/22 there have had to be necessary variations from traditional ways of working in response to COVID-19. Finance and procurement activity has remained well controlled, with changes required to enable processes to continue during lockdowns discussed and agreed with senior finance officers and Internal Audit to ensure that core governance, risk and control processes remained robust. Robust financial reporting and financial planning has been critical given the scale and speed of Government grants to administer for support to Bolton businesses and to contribute to Council costs incurred as a results of the pandemic.* |

| | |
|---|---|
| Leadership | Political leadership is derived from a Cabinet of 10 Councillors. The Cabinet is made up of the Leader, Deputy Leader and 8 Executive Cabinet Members.<br><br>Officer Leadership is provided through the Council's Corporate Leadership Team, comprising Chief Officers including the statutory Monitoring Officer and Deputy Chief Executive as the S151 (Finance) Officer.<br><br>Chief Officers oversee Directorate Leadership Team meetings to ensure that CLT priorities are cascaded and to enable the coordination of actions and management of risks across services and functions.<br><br>*In 2020/21 the formal leadership structures have been supported through partnership working and through cross directorate working groups including the COVID response and recovery groups established to ensure a coordinated, organisation wide approach to address priorities, issues and risks arising from the pandemic and maximise the Council's use of resources.* |
| Review and Oversight | Audit Committee has responsibility for receiving and providing assurance on arrangements for managing risk, maintaining an effective governance framework and control environment and statutory financial reporting.<br><br>Scrutiny Committees challenge policies and budget allocations, challenge decisions made by portfolio holders, monitor and challenge performance and make recommendations to the Cabinet/Executive Cabinet Members<br><br>There is a process for receiving and reviewing complaints, employee grievances and allegations of wrongdoing through whistleblowing and counter fraud policies and procedures<br><br>HR, Internal Audit and Legal Services liaise on key investigations to ensure good practice is shared, sanctions are consistent, and lessons are learned.<br><br>There is a process for local assessment of allegations of failure to comply with the Code of Conduct for Members.<br><br>*During 2020/21 the support and oversight role of finance, HR, legal services and Internal Audit has ensured that decisions, activities and changes that had to be progressed with urgency to respond to the critical impacts of COVID-19 were able to be subject to review and oversight.* |

## 5. Review of Effectiveness

5.1. Bolton Council has responsibility for conducting, at least annually a review of the effectiveness of its governance framework including the system of internal audit. The review of effectiveness is informed by the work of senior officers across the Council who have responsibility for the development and maintenance of the governance environment, the Head of Audit and Risk's Management's annual opinion and by comments made by the external auditor and other review agencies and inspectorates.

5.2. The review of governance arrangements is defined in the Council's Assurance Framework as set out below which illustrates the individual elements of assurance.

| Component of Governance | Evidence Source |
|---|---|
| Performance Management | Executive Cabinet Member reports<br>Scrutiny Committee reports |
| Internal Audit | Internal Audit reports and Head of Internal Audit and Risk Management opinion 2020/21*<br>Review of Internal Audit Service and service assessment of compliance with PSIAS *<br>(*Planned for Audit Committee August 2021) |
| External Audit | Reports to Those Charged with Governance<br>Annual Accounts Opinion<br>Value for Money Opinion<br>Other External Audit Reports |
| Management | Internal Audits<br>Directorate Business Plans<br>Directorate Performance Reports<br>Reports to CLT and Cabinet Members<br>Directorate and Service Risk Registers |
| Risk Management | Internal Audit reports and Head of Internal Audit and Risk Management opinion 2020/21<br>Corporate Risk Register and Directorate Risk Registers<br>Corporate and service business continuity plans<br>Project and programme risk registers<br>Key risk reporting – safeguarding, compliance, health and safety etc by lead officers across the Council. |
| Legal and Regulatory Assurance | Monitoring Officer and Legal Services reports<br>Legal Services review and commentary on decision reports |
| Financial Control | Annual Financial Statements<br>External Audit of the Annual Accounts<br>Compliance with CIPFA Role of the Chief Financial Officer<br>Management assurances over core financial systems<br>Internal Audit assurance on core financial systems |
| Members | Review of Constitution<br>Workplans and reports to Cabinet and Cabinet Members<br>Workplans and reports to Scrutiny Committees<br>Audit Committee workplan and reports |
| Other | On-going assessment against the CIPFA/SOLACE framework; Delivering Good Governance in Local Government Framework.<br>Feedback from external inspectors and agencies.<br>Feedback from Peer Reviews<br>Cross party working group on COVID-19 recovery to provide assurance about Council and partner response to COVID-19, employee welfare, vaccinations, election preparations and face-to-face meetings |

## 6. Significant Governance Issues and Development Plan

6.1. The Council has continued to maintain good practice during 2020/21. The review process has not identified any significant governance issues necessary to highlight in this statement but there are challenges and opportunities that have arisen during the response to COVID-19 that remain a focus and that may impact on future ways of working and governance arrangements. These lessons learned are not a result of failures in governance, but the crisis presents a broader opportunity to develop how the future Council may operate differently to achieve agreed priorities for the Borough and the best possible outcomes for Bolton residents. The only other area noted for review in 2021/22 is in respect of NHS reform and ensuring that the implications of this and the further development of integrated health and care governance in Bolton.

6.2. Whilst there have not been significant governance issues, this does not mean that the Council does not face challenges and must continue to focus on proactively responding to significant change arising from COVID-19, demographic change, new legislation and the requirement to deliver savings and future financial resilience.

6.3. Progress to date and areas of further focus in developing our governance arrangements during 2021/22 will include:

| Areas of Focus | Update and Any Further Actions |
|---|---|
| From March 2020: Strengthening the rigour and transparency of corporate and strategic risk reporting. This will include the refresh of the corporate risk reporting process and corporate business continuity plan | **Complete**: Head of Audit and Risk Management has overseen refresh of service business continuity plans and Corporate Business Continuity Plan. Risk management has been refreshed in 2020/21.<br><br>Approach to risk and business continuity and its application during the COVID-19 pandemic has been reviewed and some changes are to be developed in the approach as part of business as usual continual improvement activity with oversight by the Deputy Chief Executive |
| From March 2020: Refreshing the Council's anti-fraud strategy and associated training and awareness for staff and stakeholders. | **Part Complete:** Revision of strategy, policies, procedures including new Counter Fraud Strategy agreed. Some staff awareness and training completed but organisational wide awareness arrangements delayed due to COVID-19. Programme of corporate, departmental and service communications and awareness to be developed by Head of Audit and Risk Management 2021/22 |
| From March 2020: Delivering required savings through well governed innovation and collaboration with private and public sector partners, including Bolton at Home and Bolton Cares. | **Complete:** Arrangements for 2020/21 were completed. Noted that budget set for 2021/22 and medium-term financial planning is an ongoing process. Whilst the future financial strategy and achievement of savings remains a risk the |

| Areas of Focus | Update and Any Further Actions |
|---|---|
| | governance and oversight is robust so this is considered to be a risk rather than a governance challenge. |
| From March 2020: Enabling effective service delivery and engagement with residents, service users and customers through the effective use of robust, secure and resilient ICT systems. | **Part Complete:** ICT response to COVID-19 has required additional focus on core provision to enable remote / site working and working from home; and support pandemic response. Digital Strategy and programme of ICT improvement including digital access for residents is recognised as a risk with ongoing oversight at CLT and with Cabinet. To remain on 2020/21 Annual Governance Statement for tracking in 2021/22. |
| From March 2020 : The response to COVID-19 has tested the effectiveness of governance arrangements and the ability of the Council to respond to the issues and implications of the pandemic. There are no specific areas where governance has proven ineffective but as with any major crisis there will be impacts, issues and opportunities resulting from COVID-19 that can be used to inform future priorities, organisational arrangements, resource planning and ways of working. | Leader and Chief Executive (with Chief Officers and Cabinet) continue to oversee organisational response to learning from COVID-19. This has included priorities being reflected in the development of ways of working, the use of technology and the design of services. This will be an ongoing area of focus so remains on the Annual Governance Statement 2020/21 for tracking in 2021/22. |
| New: Ensuring that structural changes in the NHS and the further development of the Integrated Care Partnership are designed to deliver improved health outcomes for Bolton residents and accountability to key stakeholders. | Managing Director of the Bolton Integrated Care Partnership and Executive Cabinet member for Adults Social Care (with CLT and Cabinet). |

6.4. The governance processes, however, are considered to be effective to enable a robust response to these challenges, manage risks and capitalise on opportunities for further governance and organisational improvement.

Signed:
Leader of the Council

Signed:
Chief Executive

# Independent auditor's report to the members of Bolton Metropolitan Borough Council

## Report on the audit of the financial statements

### Opinion on the financial statements

We have audited the financial statements of Bolton Metropolitan Borough Council ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2021, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, the Collection Fund, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2021 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Deputy Chief Executive's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Deputy Chief Executive's with respect to going concern are described in the relevant sections of this report.

### Other information

The Deputy Chief Executive is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Responsibilities of the Deputy Chief Executive for the financial statements**

As explained more fully in the Statement of the Deputy Chief Executive’s Responsibilities, the Deputy Chief Executive’s is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Deputy Chief Executive is also responsible for such internal control as the Deputy Chief Executive determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Deputy Chief Executive is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Deputy Chief Executive is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

**Auditor’s responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Deputy Chief Executive’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council and the Group which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Deputy Chief Executive's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources**

**Matter on which we are required to report by exception**

We are required to report to you if, in our view, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

**Responsibilities of the Council**

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

**Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

**Matters on which we are required to report by exception under the Code of Audit Practice**

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

**Use of the audit report**

This report is made solely to the members of Bolton Metropolitan Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

**Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack;
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources; and
- our work on an objection raised in relation to the Council's financial statements for the year ended 31 March 2019.

Karen Murray, Key Audit Partner
For and on behalf of Mazars LLP

One St Peter's Square

Manchester

M2 3DE

17 November 2021

## Glossary of Terms

**ACCRUALS**
Income and expenditure amounts are recognised as they are earned or incurred, rather than as received or paid.

**AGENCY SERVICES**
Services performed by or for another Council or public body where the principal (the authority responsible for the service) reimburses the agent (the authority doing the work) the cost of the work carried out.

**APPOINTED AUDITORS**
These are appointed by the Public Sector Audit Appointments Ltd from major accountancy firms.

**APPROPRIATION**
The transfer of land and buildings from one service to another.

**ASSETS HELD FOR SALE**
An asset whose value is likely to be recovered through sale rather than use, that is highly likely to be sold, is available for immediate sale and is being actively marketed.

**BALANCE SHEET**
A statement of the Council's assets and liabilities at a given date.

**CAPITAL EXPENDITURE OR OUTLAY**
Expenditure on the acquisition of an item of property, plant and equipment or expenditure which enhances the value of an existing item of property, plant and equipment. It includes loans or grants to 3rd parties that are used for such purposes.

**CAPITAL FINANCING CHARGES**
The annual charge to the Income and Expenditure Account in respect of interest and principal repayments of borrowed money. They include charges from Finance Leases (see below).

**CAPITAL RECEIPTS**
Proceeds from the sale of land or other capital assets or the repayment of capital grants or loans. The receipts are available to finance other items of capital spending or to repay debt after any payment to due government has been made.

**CI&E(S)**
Comprehensive Income & Expenditure (Statement).

**CODE**
2020/21 Code of Practice on Local Authority Accounting.

**COLLECTION FUND**
A statutory account maintained by the Council responsible for collecting Council Tax. Income received from taxpayers is held in this account and distributed to precepting authorities.

**COMMUNITY ASSETS**
Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

**CONDITIONS**
Grant conditions that stipulate the future economic benefit or service potential embodied in the asset acquired using the grant or contribution are required to be consumed as specified, or the future economic benefits or service potential must be returned.

**CORPORATE AND DEMOCRATIC CORE**
These are the activities which Councils engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same service. These costs are therefore not allocated to services.

**CREDITORS**
Amounts owed by the Council for work done, goods received or services rendered for which payment has not been made.

**DEBTORS**
Sums of money due to the Council

**DEFERRED CHARGES**
Capital expenditure where no Council asset is created, e.g. improvement grants. These charges are usually written-off in the year in which they are incurred.

**DEPRECIATION**
This is the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

**FAIR VALUE**
Fair value is the price at which an asset could be exchanged in an arm’s length transaction.

**FINANCE LEASE**
A lease that transfers substantially all the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards is presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

**FINANCIAL INSTRUMENTS**
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. The term “financial instrument” covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities, such as trade receivables and trade payables, and the most complex ones such as derivatives and embedded derivatives.

**GENERAL FUND**
The main revenue account for the Council in to which the Council’s precept from the Collection Fund and specific government grants are paid, and from which the cost of providing services is met.

**GOVERNMENT GRANTS**
Assistance by government, government agencies and similar bodies, in return for past or future compliance with certain conditions relating to the activities of the Council.

**HERITAGE ASSETS**
Assets which are intended to be preserved in trust for future generations, because of their cultural, environmental or historical associations.

**HISTORIC COST**
The actual cost of assets, goods or services at the time of their acquisition.

**IFRS**
International Financial Reporting Standards.

**IMPAIRMENT**
A reduction in the value of a fixed asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset’s market value and evidence of obsolescence or physical damage to the asset.

**INFRASTRUCTURE ASSETS**
Items of property, plant and equipment that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

**INTANGIBLE ASSETS**
Assets used in a business which do not have a physical presence (e.g. software licences). When purchased these assets should be capitalised at cost and amortised over their anticipated life. Internally developed intangible assets should only be capitalised where there is a readily ascertainable market value.

**INVENTORIES**
Inventories comprise the following categories:
- goods or other assets purchased for resale;
- consumable stores;
- raw materials and components purchased for incorporation into products for sale;
- products and services in intermediate stages of completion;
- long-term contract balances; and
- finished goods.

**INVESTMENTS**
A long-term investment is an investment that is intended to be held for more than one year from the balance sheet date. Investments which do not meet the above criteria are classified as current assets.

**INVESTMENT PROPERTY**
Property that is held solely to earn rental income or to increase in value, or both, rather than for use in the operations of the Council or for sale.

**LATC**
Local Authority Trading Company created to deliver certain Adult Social Care Services collectively known as Bolton Cares

**MIRS**
Movement in Reserves Statement.

**NATIONAL NON-DOMESTIC RATES (NNDR)**
National Non-Domestic Rates are organised on a national basis. The Government specifies an amount and, subject to the effects of transitional and other relief arrangements, local businesses pay rates calculated by multiplying their rateable values by that amount. The

Council is responsible for collecting rates due from the ratepayers in its area. Of the net rates payable, less deductions, 1% is paid to the Fire Authority and 99% is retained by the Council.

**NON DISTRIBUTED COSTS**

These are overheads from which no user now benefits and they are not allocated to services.

**OPERATING LEASES**

A lease other than a finance lease. The risks and rewards of ownership of the fixed asset remain with the lessor. Such a lease will be for a fixed period which is less than the useful life of the asset. The cost of such leases falls upon service revenue accounts.

**OUTTURN**

Actual Income and Expenditure in a financial year.

**PRECEPT**

A levy by one authority which is collected on its behalf by another e.g. Police, Fire, Parish Councils.

**PROPERTY, PLANT AND EQUIPMENT**

Assets that have physical substance and yield benefits to the local authority and the services it provides for a period of more than one year.

**PROVISIONS**

Amounts set aside for losses and liabilities incurred in the past but which will be settled at a future date.

**RESERVES**

Amounts set aside to meet expenditure which may be incurred in future periods. Earmarked reserves are allocated to a specific area of spending. Reserves are classified as either usable or unusable. Usable reserves are those that the Council can use to fund the provision of services or fund capital expenditure. Conversely, unusable reserves are those which the Council cannot use to provide services or fund capital expenditure.

**REVENUE EXPENDITURE**

Expenditure on day to day expenses such as employee costs, running expenses of buildings, purchase of equipment and capital financing charges.

**REVENUE SUPPORT GRANT (RSG)**

A general grant paid by the Government not related to individual service provision, with the objective of allowing the provision of similar standards of service throughout the country for a similar Council Tax levy.

**SeRCOP**

CIPFA Service Reporting Code of Practice 2020/21.

**SURPLUS ASSETS**

Those assets that are surplus to service needs but that do not meet the criteria to be classified as either investment property or assets held for sale.

**TRUST FUNDS**

Funds administered by the Council on behalf of minors and others for such purposes as prizes, charities and specific projects.