

BOLTON COUNCIL
STATEMENT OF ACCOUNTS
2005/06



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APPROVED AT THE MEETING OF THE CONSTITUTIONAL PANEL
27th September 2006

COUNCILLOR CLIFFORD MORRIS

LEADER OF BOLTON METROPOLITAN BOROUGH
CHAIRMAN OF THE CONSTITUTIONAL PANEL

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Ken Jones – Bolton MBC

FOREWORD BY THE DIRECTOR OF CORPORATE RESOURCES

1 Introduction

This document is the Council's Statement of Accounts for the year ending 31st March 2006, and comprises the following:

- *Statement of Internal Control* this statement explains the systems of controls operating within the Council to secure sound financial control and good governance.
- *The Consolidated Revenue Account* summarises the total day to day expenditure and income incurred by the council for the year. It contains the detailed accounts with notes. General Fund Balances have increased in the year by £893,000 although the budgeted use of balances for the year was £1,200,000.
- *The HRA Account* shows the Council's income and expenditure relating to Council Housing. In the year the account was in surplus by £8,518,000
- *Trading Account Statement* records the performance of the Council's trading accounts. In the year these showed an overall balance of £0
- *The Consolidated Balance Sheet* sets out the Council's financial position at the 31st March 2006. This is supported by a detailed set of notes.
- *The Statement of Total Movement in Reserves* illustrates the movement in reserves in the year.
- *The Collection Fund Revenue Account* records the Authority's transactions in collecting Council Tax on behalf of the General Fund and other precepting Authorities. It details the transactions of the fund, which is in surplus by £1,009,000.
- *The Cash Flow Statement* details cash movements in the year.
- *Group Accounts* shows the effect of incorporating the transactions of Bolton at Home Ltd. which is a wholly owned arms length company set up by the Council to manage its Housing stock and assist with private sector housing functions and regeneration.

The accounts are supported by the Statement of Accounting Policies, a glossary of terms and various notes to the accounts.

This foreword identifies the more significant matters included within the accounts and gives an explanation of the Council's overall financial position.

2 Developments in the Year

These accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom, 2005 Statement of Recommended Practice and the Accounts and Audit Regulations 2003. They have been organised to comply with the Best Value Accounting Code.

The significant developments in the current year are:

Statement of Accounts 2005/2006

- The Council continued its significant transformation programme to further improve the quality and efficiency of its services. The programme builds on past achievements and prepares to meet future challenges with the following strands: Customer focused service delivery; A corporate view of resources and A corporate view of delivering change. In 2005/06 the Council's internal management structure was realigned to further integrate services to customers e.g. Children's Services
- In December 2005 the Council was judged to be delivering "Four star - Excellent" services to local people for the third year running as part of the Government's Continuous Performance Assessment (CPA) of local authorities.
- Reviews of both Social Services and Housing functions as part of the CPA process resulted in both receiving the highest rating.
- In 2005/06 the Council and partners entered in to a Local Area Agreement with Government Office North West. The objective being to provide better services by integrating service delivery (and some funding streams) with other public agencies in the Borough .
- In March 2006 it was announced the Council was to receive £3.6m Public Service Agreement (PSA) reward grant for the successful delivery of its first round agreement. Half the grant is capital the other half revenue. It is to be paid in two instalments one in 2005/06 and the second in 2006/07. The Council has already entered in to its second PSA agreement and delivery is underway.
- The government introduced a Local Authority Business Growth Incentive (LABGI) Scheme for the first time in this year. This shares some of the income from increases in business rateable values with the local authority. Bolton received £487,000.
- The Council has responded to the Government's Gershon efficiency agenda by preparing the Annual Efficiency Statements and achieving the targets which were themselves in excess of the targets set by government.
- The Council has completed tendering arrangements to replace its £8m vehicle fleet. A mixture of use of internal funds and prudential borrowing will provide economies relative to existing leases and a modernised efficient fleet.
- Major regeneration plans for the Bolton town centre have advanced with the Council acting as facilitator for some aspects and as landlord in other respects.
- The 2005 Accounting Code of Practice on which the accounts are based made changes requiring the: Recognition of Dividend Income when declared rather than when received; Production of a Statement of Internal Control rather than a Statement of Internal Financial Control; Technical changes on post balance sheet events; and clarification of the treatment of Developers Deposits". The first three issues had been identified last year and addressed. The final aspect requires a detailed review of amounts received in past years to determine the nature of agreements. Although this review has not taken place the accounting treatment of Developers Deposits has been amended to comply with the accounting requirements in broad terms.
- The 2005/06 Financial Statement has been prepared a month earlier than last year to meet the deadlines required as part of the governments "Whole Government Accounts" programme.
- Pensions accounting within the terms of FRS17 (accounting for pensions liabilities rather

than contributions) again provides large movements on the Consolidated Revenue Account (service costs inflated by £5.7m but reversed out “below the line”) and Balance Sheet (offsetting balances of £151.9m)

3 General Fund Summary Revenue Account

The summary General Fund revenue position is as follows:

	<u>Original</u>	<u>Actual</u>	<u>Variance</u>
	<u>Budget</u>	<u>Out-turn</u>	
	<u>£M</u>	<u>£M</u>	<u>£M</u>
Service Expenditure	332.1	331.6	(0.5)
Parish Precepts	0.3	0.3	-
Less			
RSG	157.5	157.7	(0.2)
NNDR	87.9	87.9	-
PSA Reward Grant	0	0.9	(0.9)
LABGI Grant	0	0.5	(0.5)
Collection Fund	85.8	85.8	-
<i>Movement in Balances</i>	1.2	(0.9)	(2.1)

The movement from Original Budget to Outturn is as follows:

	Gross Budget	Budget transfers (1)	Capital Financing Adjustment (2)	Capital Finance Changes & Distributions (3)	Other Changes (4)	Outturn (Net of addl RSG, LABGI and PSA)
Housing	8,143		(4,191)			3,952
Environment	6,337	34	1,069		100	7,540
Highways Partnership	17,170		(1,654)			15,516
Commercial Services	10,585	133	1,167		838	12,723
Education	165,530	72	7,023			172,625
Culture	13,648	(114)	1,915			15,449
Central Departments	14,245	441	1,541		188	16,415
Social Services	73,484	(546)	1,045			73,983
PTA , Waste Disposal and Land Drainage Precepts	23,069	(153)				22,916
Financial Arrangements	(2,355)	380	(8,226)	(2,669)	(550)	(13,420)
Corporate Services	866	(149)	311			1,028
Benefits	1,362	(98)				1,264
Total	332,084	0	0	(2,669)	576	329,991

Notes

- (1) Reflecting transfer of functions plus the reallocation of corporate costs.
- (2) Changing incidence of capital costs to reflect Accounting Code of Practice requirements
- (3) Higher than anticipated distributions from Manchester Airport plc (£0.975m) plus a one-off dividend from Modesole Ltd.(£0.304m) Capital Financing savings.(£1.39m).
- (4) Increased costs for Waste Collection (£0.617m), Waste Disposal (£0.160m). Legal and Democratic Services (£0.188m), Reduced Market Hall income (£0.221m), Reduced Car Parking income (£0.1m) offset by additional RSG and LABGI grant income (£0.71m)

4 Service Expenditure

Each service is required to manage net revenue expenditure within its budget as amended for internal transfers within the year. Financial Regulations allow the carry forward of any unspent budget to “reserves” to assist funding future expenditure and require that any withdrawal from balances is either the planned use of previously accumulated balances or is rectified in a subsequent year. The major movements in reserves by department were:-

<u>Service</u>	<u>£M</u>	<u>Explanation</u>
Education (Excluding Schools)	+0.8	Reflecting actions taken to address previous deficits
Schools	+0.7	Addressing deficits at some schools.
Central Services	+0.5	Largely Castle Hill equalisation and sinking funds
Finance	+1.6	Business Case repayments and replenishment of reserves
Financial Services	+0.9	Setting aside of unspent budget provisions Largely Youth, Community Safety and capital financing.
Commercial Services	-1.2	Use of reserves to contribute to transport procurement exercise and invest to save on highways procurement
Housing Revenue Account	+8.5	Surplus originally budgeted at £1.1m but further resources carried forward by virtue of capital programme underspend and payments yet to be made (creditors)

5 Capital Expenditure

Capital expenditure for the year was £106.2m made up as follows:-

	<u>£M</u>
Housing	59.5
Education	11.0
Highways	9.3
Corporate Issues	8.8
Commercial Services	7.7
Economic, Environmental & Planning	2.6
Social Services	1.3
Culture	1.0
Special Funded Schemes (SRB/ NRF etc. not included above)	5.0
Total	106.2

and this was financed as follows:-

	<u>£M</u>
Borrowing	58.4
Capital Receipts	5.1
External contributions including government grants	26.4
Revenue / Reserves / Creditors	16.3
Total	106.2

Under Prudential Controls the Council may set its own limit for Capital Borrowing subject to affordability. This is expressed as a Capital Financing Requirement. In 2005/06 the initial limit was £395m. The figure calculated from the 31st March 2006 Balance Sheet is £386m reflecting lower than anticipated capital borrowing and spending.

In addition to borrowing the Council may also use internal funds and Capital Receipts to finance capital expenditure. At 31st March 2006 a Capital Funding Reserve of £3.5m and Usable Capital Receipts of £7.4m were held.

6 **Balances**

At 31st March 2006 General Fund Reserves stood at £8,919,000.

There is a commitment to provide "bridging finance" from these balances for Bolton Market refurbishment. The amount currently required for this purpose is £1,319,000. Thus, the available General Reserves to protect the Council against unexpected demands are £7,600,000. It should be noted £2,090,000 of this sum has been committed to support the 2006/07 budget as part of the budget strategy.

Stephen M. Arnfield
Director of Corporate Resources
27th September 2006



Independent auditors' report to the members of Bolton Metropolitan Borough Council

Opinion on the financial statements

We have audited the financial statements of Bolton Metropolitan Borough Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, the Consolidated Revenue Account, the Collection Fund, the Housing Revenue Account and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Bolton Metropolitan Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to Bolton Metropolitan Borough Council, as a body, 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 Bolton Metropolitan Borough Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

We review whether the statement on internal control reflects compliance with CIPFA's guidance The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003 published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

KPMG LLP
Chartered Accountants
Manchester
29 September 2006



Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The authority 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 regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Bolton Metropolitan Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

Best Value Performance Plan

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2005/06 on 29 November 2005. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

KPMG LLP

KPMG LLP
Chartered Accountants
Manchester
29 September 2006

STATEMENT OF ACCOUNTING POLICIES

Introduction

The accounts are compiled and presented in accordance with recommendations by the Chartered Institute of Public Finance and Accountancy (C.I.P.F.A.) and meet the requirements of current legislation. The accounts comply with the relevant Statements of Standard Accounting Practice issued by the Accounting Standards Board in so far as they are applicable to Local Authority accounts and where the effect is considered to be material.

General Principles

Accounting policies define the process whereby transactions and other events are reflected in financial statements. The Statement of Accounts has been prepared in accordance with the fundamental accounting principles set out below:

- Financial information should be relevant, reliable, comparable and understandable.
- Information must be material i.e. of sufficient significance to justify its inclusion.
- An accruals basis i.e. transactions must be recorded in the period they occur rather than on the dates of receipt or payment.
- The going concern basis i.e. assuming that the council will continue to be operational in the foreseeable future.
- Local Authority finances operates within a framework of legislation and regulation. Where legislative and accounting principles conflict, legislative requirements shall apply.

Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts provided that the fixed asset yields benefits to the authority and the services it provides for a period of more than one year. Expenditure on routine repairs and maintenance of fixed assets is charged direct to service revenue accounts.

Valuations for existing non Council House property have been obtained from the Council's Property Services staff on the basis recommended by C.I.P.F.A. and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (R.I.C.S.). Similarly Council Housing has been valued by the NW District Valuer. Fixed assets are classified into the groupings required by the Code of Practice on Local Authority Accounting:

- Operational properties are included in the balance sheet on the basis of existing use value or, where that could not be assessed because there was no market for the asset depreciated, replacement cost was used.
- Operational equipment is included in the balance sheet at historical cost less depreciation, on a straight-line basis over the estimated useful life of the asset.
- Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at open market value.
- Community assets are included in the balance sheet at historic cost.
- Infrastructure assets are included in the balance sheet at a hybrid of debt outstanding and historic cost.

The surpluses arising on the valuation of fixed assets have been credited to the fixed asset restatement account. Revaluations of fixed assets are planned in a four-year rolling programme, although material changes to asset valuations will be adjusted in the interim period as they occur.

Intangible Assets

Intangible assets are true Council assets (e.g. Software Licences) which do not have physical substance. When purchased such assets would be capitalised at historic cost and amortised over their anticipated life.

Deferred Charges

Deferred charges arise where the Council incurs capital expenditure which does not create a Council asset (e.g. granting an Improvement Grant). It is usual accounting practice for deferred charges to be immediately written off to revenue.

Capital Receipts

When assets are sold, the capital receipts generated are held in a reserve account until used to finance capital expenditure, to repay debt or remit to government. Deferred capital receipts relate to the sale of Council houses and reflect the amount of mortgage principal outstanding on sales, which will be transferred to capital receipts when paid.

Depreciation

All assets with a finite life are subject to a depreciation charge. It is based on the value at which the asset is in the balance sheet. Depreciation is charged on assets irrespective of annual expenditure on maintenance. These charges will be part of the asset rental charge to revenue and should be calculated on a straight line basis using the following schedule of asset lives unless there is specific information on an asset or group thereof:

Council Dwellings	45 years
Buildings	40 years
Bridges	25 years
Highways	25 years
Other infrastructure	25 years
Vehicles and plant	5 years

Depreciation is calculated on opening asset values for the year. I.e. no depreciation is charged on expenditure or revaluations in the year of account. Only land held on a lease will be subject to depreciation. The length of the lease will determine the period which the land is depreciated. The same would apply for leasehold buildings.

Impairment

Assets have been reviewed for any impairment loss in respect of the consumption of economic benefit (e.g. physical damage). Where an impairment loss occurs this would be charged to the service revenue account. Other impairment reflecting a general fall in prices would be recognised in the fixed asset restatement account.

Capital Charges

Service Revenue Accounts and Trading Accounts are debited with a capital charge for all fixed assets used in the provision of the service. Such charges include the annual depreciation charge and an asset rental charge determined by applying a specified notional rate of interest to the net amount at which the asset is carried on the Balance Sheet at the beginning of the financial year. The income from capital charges is credited to the asset management revenue account therefore producing a neutral effect on the amounts required from local taxation.

Government Grants and Contributions

Government grants and other contributions are accounted for on an accruals basis. Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, and the asset is subject to depreciation, the amount of the grant or contribution is credited initially to the government grants deferred account. Amounts are released to the asset management revenue account over the useful life of the asset to match depreciation charged on the asset to which it relates.

Work in Progress, Stocks and Stores

Work in progress, stocks and stores are valued at cost price. The stocks and stores are valued at average cost.

Redemption of Debt

The Council administers a Loans Account in which all loans raised by the Authority are pooled. Debt redemption is provided for by minimum revenue provisions under the Local Government Act 2003 within the revenue Asset Management Account.

Costs of Management and Administration

All costs of management and administration have been fully allocated to services or corporate cost centres as appropriate. The basis of allocation used for the main costs of management and administration is actual time spent by officers or volume of transactions. For Administration Buildings area occupied is used.

VAT

Income and expenditure excludes any amounts related to VAT as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

Pensions

For non-teaching staff the Council pays an employer's contribution of pensionable employees' reckonable pay into the Greater Manchester Superannuation Scheme. The costs of inflation awards (Pensions Increase Act Payments) to pensioners of the Funds are charged to the Non Distributed cost centre within Central Services. For teachers, the Council pays an employer's contribution of employees' reckonable pay to the Teachers Pensions Agency, which administers the teachers' superannuation scheme.

In accordance with FRS 17 (Retirement Benefits), the Authority is required to recognise in its accounts the net asset/liability and a pension reserve on the balance sheet, and entries in the revenue account for movements in the asset/liability relating to its share of the Greater Manchester Pension Fund. The objectives of FRS 17 are to ensure that:

- (a) The accounts reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding.
- (b) Operating costs of providing benefits to employees are recognised in the year the benefits are earned, along with related finance costs and changes in value of assets and liabilities.

Debtors and Creditors

In the main, provision has been made in the revenue accounts for all goods and services supplied to or by the Authority during the year. However, as regards public utility accounts, the revenue accounts record expenditure for a twelve months period.

Repurchase of Borrowing

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Consolidated Revenue Account for the period. Except where the repurchase is coupled with a refinancing or restructuring of debt, with substantially the same overall economic effect, when gains or losses are recognised over the life of the replacement borrowing- subject to complying with the H.R.A. subsidy regulations.

Provisions

Provisions, in line with the implementation of FRS 12, are included in the accounts for any specific future liabilities of uncertain timing or amount. The cost of setting aside provisions is recorded in the net cost of services.

Reserves

Reserves are the amounts set aside for the future use of services. They provide resources for future policy commitments or contingencies. Contributions to reserves are an appropriation of funds shown in the Consolidated Revenue Account after the calculation of Net Operating Expenditure. Certain reserves are kept to manage the accountancy process for fixed assets and retirements benefits and do not represent usable resources.

Investments

Investments are shown at the lower of cost or market value. The Authority has a variety of interests in companies. Group accounts have been prepared incorporating Bolton at Home Ltd. in to the Authority's overall financial statement.

Temporary Borrowing and Short Term Investments

Temporary Borrowing includes amounts which were originally borrowed for more than one year but which are repayable within twelve months of the Balance Sheet date and borrowing repayable on demand. The Council's cash position is managed on a daily basis, borrowing or investing monies as required at market rates of interest.

Leases & PFI Unitary Charges

Rentals payable under operating leases and PFI unitary charges are charged to service revenue accounts. PFI credits are shown as service income in the revenue account.

Rental payments under finance leases are apportioned between the finance charge and the principal element, i.e. the reduction of the liability to pay future rentals. The finance element of the rentals is charged to the asset management revenue account. Principal repayments are treated as repayments of external loans and disclosed as an appropriation to the consolidated revenue account.

Developers Deposits

The guidance notes to the Local Authority Accounting Code Statement of Recommended Practice include new guidance as regards “Developers Deposits”. Those aspects of the Council’s previous accounting treatment which did not conform to the new guidance have been amended (i.e. Provisions have been reclassified as “receipts in advance”) however the full review of deposits to determine capital / revenue status or limitations as to use has not yet been carried out.

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 has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Corporate Resources.
- to manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

The Director of Corporate Resource's Responsibilities

The Director of Corporate Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice").

In preparing this Statement of Accounts, the Director of Corporate Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Director of Corporate Resources has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- The Statement of Accounts presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2006.

Stephen M Arnfield
Director of Corporate Resources
21st June 2006

STATEMENT ON INTERNAL CONTROL

1. SCOPE OF RESPONSIBILITY

BOLTON METROPOLITAN BOROUGH COUNCIL is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The authority 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, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for ensuring there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. It evaluates the likelihood of those risks being realised and the impact should they be realised and seeks to manage them efficiently, effectively and economically.

The system of control has been in place for the year ended 31 March 2006 and up to the date of this report and except for the issues detailed at section 5 below accords with proper practice.

3. THE INTERNAL CONTROL ENVIRONMENT

The key elements of the Council's internal control environment are:

- A strategic planning system which identifies priorities and key aims. These are set out in the Bolton Plan (the Council's Corporate Plan) informed by Borough's Community Strategy "Clear Vision Bright Future" produced by Bolton's Local Strategic Partnership. In addition to specific aims the plan embraces the underlying concepts of continuous improvement and delivery of priority developments to address big issues.
- The delivery of Key Aims is addressed through the Corporate Business Planning Process(CBPP) which is integrated with Service Improvement Action Plans. Both elements incorporate performance monitoring and review as core elements.

- A framework of policy plans (some statutory, some local) which are reviewed annually and assist policy formulation.
- 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 reporting, Member scrutiny, external inspection and audit, performance measurement and benchmarking, management oversight, internal audit and physical and procedural controls.
- The Council has a well established process of Risk Management including an annual review of strategic risks, an assessment of the likelihood and potential impact of risks and a register which records the responsibly for managing risk and the action taken.
- Best Value is promoted across the organisation through the Council's Corporate Planning Business Process. Specific areas are selected each year for more detailed reviews of economy, efficiency and effectiveness either through formal Best Value reviews or studies arising through other means e.g. scrutiny, customer feed back, benchmarking, inter-authority initiatives.
- The financial management of the authority is structured through Financial Regulations and financial Standing Orders. A framework of regular management information, administrative procedures (including division of duties), management supervision and a system of delegation and accountability support these. Such procedures seek to ensure that transactions are authorised and that material errors or irregularities are either prevented or would be detected within a timely period.
- The Council has established an Audit Committee which has responsibility for providing assurance on the authority's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance.

4. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of internal auditors and executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in their annual audit letter and other reports.

The full Council approves strategic plans and policies. It determines the Council's budget either directly or via representative committees or receives statutory financial, external audit and inspection reports.

The Executive, Executive Member Meetings, Scrutiny Committees and Area Fora receive detailed performance reports and feedback as appropriate. These meetings along with Policy Development Groups engage in detailed consideration of issues

which can influence the formulation of future plans, policies, standards and resource allocations.

The Council operates an Internal Audit function whose role is to review compliance with financial procedures and other policies, to monitor the economy, efficiency and effectiveness of the Council's operations and to review arrangements for the security of the Council's assets. Internal Audit is a section of the Corporate Resources Department reporting through the Deputy Director of Corporate Resources. Internal Audit's Terms of Reference state that work is carried out in accordance with the professional standards set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government. The Terms of Reference also provides that Internal Audit has direct access to all senior management including the Chief Executive and Council Members. Internal Audit produce an annual report which provides an opinion on the overall control and risk environment and reports upon significant findings in the year.

The above processes provide an overview of the internal controls. Whilst weaknesses are addressed as they are identified and opportunities for continuous improvement are embraced, the following section details potentially significant internal control issues identified in the period of this report.

5. INTERNAL CONTROL ISSUES

In the financial year 2005/06 and 2006/07 to date the following potentially significant internal control issues have been identified:

- A great deal of work has gone on to embed the authority's risk management culture and process and this has been successful. However there remains a need to continue this process to all officers of the authority.
- During 2005/06 the Council's Standing Orders have been re-written. There remains the need to complete awareness sessions and training around the new Standing Orders to ensure that all relevant officers are aware of the new requirements.
- There is a need to complete the corporate ICT Security policy to ensure that proper processes are in place and that all staff are aware of them.

Whilst performance is satisfactory, under the spirit of continuous improvement, the following have been identified for further work in 2006/07:

- Improved corporate financial reporting to include wider aspects in addition to General Fund and the level of reserves
- Improve the clarity of the Asset Management Plan to ensure that we achieve value for money from our assets.
- Risk awareness training for members.

- Update anti-fraud and corruption strategy, including whistleblowing policy.
- Provide improved evidence of the link between finance and performance to demonstrate the impact that resource allocation has on outcomes.
- Ensure that we are able to demonstrate high performance across a range of services whilst costs demonstrate best value compared to others.

Signed:

.....

.....

Leader of the Council

Chief Executive

THE CONSOLIDATED REVENUE ACCOUNT

Statement of Accounts 2005/2006

This statement shows the gross expenditure, income and net expenditure on the services of the Council (analysed in accordance with the Code of Practice) and how this was met from precept on the Collection Fund.

2004/05 Net Expenditure £'000s		2005/06		
		Gross Expenditure £'000s	Gross Income £'000s	Net Expenditure £'000s
	<u>Continuing Services</u>			
159,405	Education	238,385	68,419	169,966
68,903	Social Services	131,511	56,070	75,441
27,047	Highways and Transport	41,289	12,229	29,060
24,954	Environment & Planning	50,851	24,396	26,455
18,975	Culture	28,470	8,678	19,792
0	Culture Extraordinary item (see note 2)	440	0	440
5,415	Housing Revenue Account	60,265	56,995	3,270
3,843	Other Housing Services	92,238	88,526	3,712
3,798	Central Services to the Public	11,785	7,971	3,814
305	Coroner	1,102	737	365
5,987	Corporate & Democratic Core	8,258	1,657	6,601
9,423	Non Distributed Costs	34,063	20,401	13,662
328,055	Net cost of continuing Services	698,657	346,079	352,578
1,248	Discontinued Services – Magistrates*	206	129	77
329,303		698,863	346,208	352,655
	<u>Net Cost of Services</u>			
291	Parish Precepts	(note 6)		328
(550)	Trading Account Gross (Surplus) / Deficit			0
(191)	Market Surplus	(note 3)		319
(4,800)	Pension Interest Cost and expected return on Pension assets			500
(2,985)	Interest & Dividends received	(note 7)		(4,100)
(14,611)	Transfer from AMRA	(note 13 (a))		(20,787)
306,457	Net Operating Expenditure			328,915
326	Contributions to/(from) H.R.A. Balances			8,518
973	Contributions to/(from) Earmarked Reserves			3,599
550	Contributions to/(from) Trading Account Reserves			(4,628)
233	Contributions to/(from) Market Reserves			(121)
(100)	Contribution from Pension Fund Reserve	(note 10)		(6,200)
(1,739)	Contribution from Capital Financing Account	(note 13 (b))		(3,625)
3,474	Capital Expenditure Financed from Revenue			5,498
310,174	Amount to be met from Gov't. Grants & Local Taxpayers			331,956

* From 1st April 2006 responsibility for Magistrates Courts passed to the national Courts Service.

Statement of Accounts 2005/2006

310,174	Amount to be met from Gov't. Grants & Local Taxpayers			331,956
	<u>Less</u>			
155,206	Revenue Support Grant			157,697
	Public Service Agreement Reward Grant			932
	Local Authority Business Growth Incentive Grant			487
73,063	National Non Domestic Rates			87,916
80,973	Council Tax			85,017
950	Transfers (to) / from Collection Fund			800
(18)	Net General Fund (surplus) / deficit for year			(893)
(8,008)	<i>Balance on General Fund at beginning of year</i>			(8,026)
(8,026)	<i>Balance on General Fund at end of year</i>			(8,919)
(3,223)	(Balances attributable to schools budgets not included in General Fund Balances)			(3,985)

Stephen M Arnfield
Director of Corporate Resources
27th September 2006

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1 Service Expenditure Analysis

The Service Expenditure Analysis in the Consolidated Revenue Account follows the format required by the Code of Practice. Thus reported expenditure and income may not accord with Portfolios and Departments at Bolton. "Culture" in particular includes "Greenspace" activity carried out in the Environmental Services Department. "Highways and Transport" includes the precept to the Passenger Transport Authority. Planning & Environment includes the Waste Disposal levy paid to the Waste Disposal Authority.

2 Extra-Ordinary Item

The Service Expenditure for Culture includes an item for the impairment of a museum exhibit the authenticity of which is in doubt and subject to a police investigation. The item was purchased using grants obtained. The write down of the asset is required to remove the cost of the item from the Council's assets. It does not signify any additional cost to the Council.

3 Markets (Surplus) / Deficit

The Authority operates off-street markets at Bolton, Westhoughton, Horwich and Farnworth together with the Market Hall within the Market Place Development.

The financial results of these operations are as follows:

	2005/06 £'000s	2004/05 £'000s
Income	(3,076)	(3,479)
Expenditure	2,896	2,782
Surplus for Year	(180)	(697)
Less :-		
Asset Rental	499	506
Total Markets (Surplus) / Deficit	319	(191)

4 Agency Work

The Council undertakes the following agency work for which it received £76,000 of income in 2005/06:

<u>Agency</u>	<u>Nature of Work</u>	2005/06 £'000s	2004/05 £'000s
North West Water	Sewer Maintenance	76	90
Community Support Development Centre	Admin. Support	0	30
Total		76	30

5 Publicity Memorandum Account

Section 5 of the Local Government Act 1986 requires Local Authorities to identify expenditure on publicity.

	2005/06 £'000s	2004/05 £'000s
Recruitment Advertising	1,099	1,093
Other Publicity	506	409
Other Advertising	1,046	823
Total	2,651	2,325

6 Parish Precepts

The following parish precept demands were made:

Parish	2005/06 £'000s	2004/05 £'000s
Blackrod	24	18
Horwich	172	143
Westhoughton	132	130
Total	328	291

7 Interest and Dividend

The following is an analysis of the dividend and interest received:

	2005/06 £'000s	2004/05 £'000s
Manchester Airport Dividend	1250	825
Modesole Dividend	308	304
Interest	2542	1856
Total	4100	2985

8 Local Authority (Goods and Services) Act 1970

Statement of Accounts 2005/2006

Under the Local Authority (Goods and Services) Act 1970 a local authority may supply goods and services to other local authorities or public bodies. In 2005/06 the major areas of activity under this power were:

	2005/06 £'000s	2004/05 £'000s
Building Control Partnership	6	14
Payroll / Personnel/ Committee Services	130	41
Disabled Tele-communication Support	79	47
Neighbourhood Dispute Service	61	22
Financial Services	37	117
Computer Equipment	2	0
Performance Management	29	0
Technical Goods and Services	6	0
Commercial Services	723	977
Total	1,073	1,218

The bodies for whom work was carried out are:

	2005/06 £'000s	2004/05 £'000s
Housing Associations	80	47
Other Local Authorities	64	43
Other Public Sector Bodies	820	1,038
BASE	7	11
Government Offices North West	0	11
Colleges & Schools	45	41
Bolton Community Leisure	45	5
North West Museums	12	22
Total	1,073	1,218

9 Leasing Information

In 2005/06 the value of leasing arrangements was as follows: -

	Finance £'000s	Operational £'000s
Rental Paid to Lessor in 2005/06	23	801
Estimated Commitment Outstanding at 31st March 2006	23	622

10 Pension Contributions

Employees of the Council are admitted to the Greater Manchester Pension Fund (“the Fund”) which is administered by Tameside Metropolitan Borough Council under regulations governing the Local Government Pension Scheme, “a defined benefit scheme”.

The Council recognises the cost of retirement benefits in the Net 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 retirement benefits is reversed out of the CRA after Net Operating Expenditure. The following transactions have been made during the year:

Local Government Pension Scheme	2005/06 £'000s	2004/05 £'000s
Net Cost of Services:		
Current Service Cost	20,000	17,700
Past Service costs	1,000	500
Curtailement costs	500	600
Net Operating Expenditure:		
Interest cost	32,700	26,700
Expected return on assets in the scheme	(32,200)	(31,500)
Amounts to be met from Government Grants and Local Taxation:		
Movement on pension reserve	(6,200)	(100)
Actual amount charged against council tax for employer’s contributions payable in the scheme.	15,800	13,900

Note 23 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 6 to the Statement of Total Movements in Reserves details the costs that have arisen through the year and where estimates made in preparing figures for previous years have had to be revised. (e.g. the expected return on investments)

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

	2005/06	2004/05
Percentage Contributed (%)	13.5	13.5
Amount Contributed (£'000s)	11,378	10,937

The estimated future cost of discretionary pension payments at 31st March 2006 was £34,100,000 (£31,700,000 at 31st March 2005).

11 Transactions with 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.

Central Government has effective control over local authorities as Councils are incapable of acting without statutory authority. Details of transactions with government departments are set out in the Cash Flow Statement whilst debtors and creditors are disclosed in the relevant note to the Balance Sheet.

Members of the Council determine Council's the policy.

A member has a private interest with regards Social Care provision. The council places individual contracts as required and made payments to this organisation amounting to £263,000 in 2005-06 to meet the councils obligations with regards supported residents

One Councillor is a director of a highways construction company which the Council employs as a contractor following normal tendering practices. Expenditure with the company is recorded at £468,000 in the Council's accounts.

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

The Chief Executive (Mr B. Knight) and the Director of Children's Services (Mrs. M. Blenkinsop) are both members of Bolton Community College Board. The College uses premises owned by Bolton MBC for the provision of courses and delivers the Adult Learning Plan for which it receives funding. The Chief Executive is also a Governor of Mount St Joseph School where a Junior TIC (Technical Innovation Centre) project is being delivered with funding routed through the Authority.

Bolton at Home Ltd is the Council's wholly owned arms length housing management and regeneration company. Full details of transactions with that company are explained in the Group Accounts Statement.

A Register of Members Interests is maintained and is available for public inspection by contacting the Members Services Officer (01204 331035). Details of payments to members are also available by contacting the Members Services Officer.

Statement of Accounts 2005/2006

Contributions, Grants & Other Receipts		2005/06	2004/05
Related Party	Description of Transaction	£'000s	£'000s
Other Local Authorities	Educational Services	856	667
	Social Services	0	110
	Corporate - Magistrates	0	4,760
	Corporate - Other	0	101
Health Authority	Joint Working Arrangements	8,527	7,437
Levies from Authorities	Coroner	669	601
	Probation Service	0	38
Sub Total re: Income Rec'd from 3rd Parties		10,052	13,714

Payments Made		2005/06	2004/05
Related Party	Description of Transaction	£'000s	£'000s
Other Local Authorities:-	Educational Services	409	604
	Social Services	109	133
Members	Allowances	763	717
Precepting Authorities	Police	8,485	7,902
	Fire & Civil Defence	3,601	3,422
	Parishes	328	291
Primary Care Trust	Speech Therapy	84	0
Levies from Authorities	Transport Board Levy	12,424	11,823
	Waste Disposal Authority	10,375	9,488
	Land Drainage Precept	114	97
	S48	354	359
	Urban Traffic Control	297	553
	County Records	24	24
	NW Regional Chamber	0	24
	AGMA Secretariat	187	103
Total re: Payments Made		37,554	35,540

In 2005/06 the numbers of employees earning more than £50,000 were as follows:

	Teachers		Other Staff	
	2005/06	2004/05	2005/06	2004/05
£50,000 - £59,999	35	27	24	3
£60,000 - £69,999	10	8	16	22
£70,000 - £79,999	5	4	12	7
£80,000 - £89,999	0	1	5	2
£90,000 - £99,999	0	1	2	6
£100,000-£109,999	1	0	1	0
£110,000-£119,999	0	0	0	0
£120,000-£129,999	0	0	2	1
£130,000-£139,999	0	0	0	0
£140,000-£149,999	0	0	1	0

13(a) Asset Management Revenue Account

The Asset Management Revenue Account (AMRA) is an account introduced as part of the arrangements for accounting for fixed assets. The components of the Account are shown in the table below:

	2005/06		2004/05	
	£'000s	£'000s	£'000s	£'000s
Income				
Asset Rental HRA	21,216		15,609	
Asset Rentals General Fund	26,075		25,718	
Grants Deferred	1,731		1,499	
		49,022		42,826
Expenditure				
Interest Charges	16,671		19,371	
Provision for Depreciation & Impairment	11,564	28,235	8,844	28,215
Surplus		20,787		14,611

13(b) Capital Finance Account Adjustment on General Fund

	2005/06	2004/05
	£'000s	£'000s
Depreciation	11,564	8,844
Less provision for debt repayment	6,233	5,890
Less Grants Deferred (General Fund)	1,706	1,215
Capital Financing Account Adjustment	3,625	1,739

14 Building Control Trading Account

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the Building Control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement shows the total cost of operating the Building Control Unit divided between the chargeable and non-chargeable activities.

Building Control Trading Account						
	Chargeable £'000s		Non Chargeable £'000s		Total Building Control £'000s	
	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
<u>Expenditure:</u>						
Employee Expenses	352	299	277	299	629	598
Premises	19	16	15	16	34	32
Transport	13	13	10	13	23	26
Supplies & Services	111	32	234	32	345	64
Central & Support Service Charges	47	37	52	37	99	74
Total Expenditure	542	397	588	397	1,130	794
<u>Income:</u>						
Building Regulation Charges	632	540	0	0	632	540
Miscellaneous Income	0	0	26	19	26	19
Total Income	632	540	26	19	658	559
(Surplus) / Deficit for Year	(90)	(143)	562	378	472	235

15 Amounts Charged for External Loan Finance

The following summarises the movements in the year in respect of the Loans Fund:

	2005/06 £'000s	2004/05 £'000s
Balance at Beginning of Year	315,395	267,669
Advances in Year	58,368	55,965
<u>Repayments in Year:</u>		
General Fund	6,233	5,578
HRA	2,993	2,361
Capital	63	87
Repayments by 3rd parties	505	213
Balance at End of Year	363,969	315,395

16 **Audit Fees**

The following summarises the audit fees paid:

	2005/06 £'000s	2004/05 £'000s
Fees paid with regard to external audit services carried out by the appointed auditor under the Audit Commission Code of Practice in accordance with Section 5 of the Audit Commission Act 1998:		
To the Audit Commission	51	202
To KPMG	102	
Fees paid to the Audit Commission in respect of statutory inspection under Section 10 of the Local Government Act 1989	14	18
Fees paid with regard for the certification of grant claims and returns, by the appointed auditor under Section 28 of the Audit Commission Act 1998:		
To the Audit Commission	134	151
To KPMG	60	
Fees paid in respect of any other services provided by the appointed auditor:		
Audit Commission	3	4

The KPMG audit plan for 2005/06 indicates an audit fee of £204,000 will be attributable to the 2005/06 audit.

17 **Pooled Budgets**

The authority has taken advantage of flexibilities under Section 31 of the Health Act 1999 to establish a pooled budget with Bolton Primary Care Trust. Pooled budgets enable health bodies and local authorities to work collaboratively to address specific local health issues. Details are shown below:

Assisting Adults with Learning Disabilities as per the White Paper, Valuing People		
	2005/06	2004/05
	£'000s	£'000s
Bolton Primary Care Trust Funding	(279)	(53)
<u>Expenditure:</u>		
Support for Carers	23	31
Parent User Group	4	0
Modernising Day Services	2	22
Valuing People Implementation Officer	38	37
PCP Development Worker	34	0
Advocacy	31	30
Consultancy	25	0
Ethnicity	4	0
Computer Purchase	1	0
PCP	13	0
Postural Care Equipment	10	0
Autism	2	0
Inclusion & Participation/Ethnicity Development Worker	58	0
Housing Research Payment	8	0
Laptop and Projector	2	0
Contribution to Bolton CVS Contract	21	0
Sharing the Knowledge	2	0
Partnership Board	3	4
Net (Underspend)/Overspend	2	71

Integrated Community Equipment Store to support vulnerable people		
	2005/06	2004/05
	£'000s	£'000s
<u>Income:</u>		
Bolton Primary Care Trust Funding	(227)	(171)
Bolton MBC	(781)	(747)
<u>Expenditure:</u>		
Employees	181	150
Premises	129	80
Transport	33	30
Equipment	675	649
Net (Underspend)/Overspend	10	(9)

HOUSING REVENUE ACCOUNT (HRA)

	<u>2005/06</u>	<u>2004/05</u>
	<u>£'000s</u>	<u>£'000s</u>
<i>Income</i>		
Dwellings (Note 1)	42,990	42,491
Non-Dwelling	162	158
Gross Rental Income	43,152	42,649
HRA Defects Act	12	13
NRF & other grants	22	118
HRA Subsidy Receivable (Note 6)	10,596	3,858
Contribution from General Fund (Note 7)	528	513
Charges for Services and Facilities	265	247
Total Income	54,575	47,398
<i>Expenditure</i>		
Repairs and Maintenance (Note 2)	9,451	10,660
Supervision and Management	15,846	14,630
Management and Maintenance	25,297	25,290
Bad Debt Provision (Note 5)	570	435
Rents, rates taxes and other charges	317	337
Housing Benefit payments (Note 13)	212	339
Cost of Capital (Note 3)	21,306	15,696
Depreciation (Note 12)	13,729	10,132
Total Expenditure	61,431	52,229
Net Cost of Services	6,856	4,831
Transfer from Asset Management Revenue Account (Note 4)	(11,794)	(8,029)
Amortised Premiums and Discounts	(73)	(71)
Interest Received	(355)	(299)
Net Operating Expenditure/(Income)	(5,366)	(3,568)
<i>Appropriations</i>		
Transfer to / (from) Major repairs Account (see note 11)	(3,152)	742
Capital Repayment	(3,152)	2,500
	(3,152)	3,242
Housing Revenue Account Balance	(8,518)	(326)
(Surplus)/Deficit at Beginning of Year	(2,221)	(1,895)
(Surplus)/Deficit at End of Year	(10,739)	(2,221)

* Requirement to make minimum revenue provision on HRA abolished in the Local Government Act 2003

NOTES TO THE HOUSING REVENUE ACCOUNT**1. Housing Revenue Account Stock**

The Council owned 18,767 dwellings at 31st March 2006 which are analysed below:

	At 31 st March 2006	At 31 st March 2005
Houses and Bungalows	12,626	13,013
Low Rise Flats and Maisonettes	4,763	4,867
Medium Rise Flats and Maisonettes	1,094	1,100
High Rise Flats and Maisonettes	283	285
Shared Ownership	1	1
	18,767	19,266

2. Housing Repairs Account

The transactions incurred in relation to the Repairs Account were as follows:

	2005/06 £'000s	2004/05 £'000s
Balance at Beginning of Year		0
Add		
Revenue Contribution	9,176	10,232
	9,176	10,232
Less: Expenditure in the Year		
Responsive Repairs	9,176	10,232
Planned Maintenance	0	0
To Revenue	0	0
Balance at End of Year	0	0

Other maintenance work totalling £274,759 has been undertaken in the year but not funded through the repairs account, giving an overall total of £9,451,186.

3. Cost of Capital

This includes an asset rental of £21,215,768 which is 3.5% of the valuation of operational assets and equipment at 1st April 2005. This charge is to reflect the cost of public sector capital tied up in HRA assets. The cost of capital also includes debt management expenses of £89,995

4. Asset Management Revenue Account

The Asset Management Revenue Account shows the adjustment to reflect the removal of the asset rental charge (see note 3) and the replacement with the HRA share of the interest charges on its outstanding debt.

	2005/06 £'000s	2004/05 £'000s
Notional interest charge (asset rental)	(21,216)	(15,609)
Grants Deferred written out	(25)	(20)
Statutory Interest Charge	9,447	7,600
Transfer from the Asset Management Revenue Account	(11,794)	(8,029)

5. Rent Arrears

Rent arrears as a proportion of gross rent income were 6.6% at 31st March 2006, compared with 7.6% at 31st March 2005.

	At 31st March 2006 £'000s	At 31st March 2005 £'000s
Current Tenants	1,429	1,383
Former Tenants	1,456	1,849
Non HRA rent arrears	57	119
Total Arrears at 31 March	2,942	3,351

The total provision for uncollectable debts at 31st March 2006 was £2,072,583. The provision at 31st March 2005 was £2,146,440.

6. Housing Revenue Account Subsidy

The subsidy due for the year is detailed below:

	At 31st March 2006 £'000s	At 31st March 2005 £'000s
Management and Maintenance Allowance	26,035	24,752
Charges for Capital	7,403	7,462
Major Repairs Allowance (see also note 12)	10,578	10,874
ALMO revenue subsidy	10,602	4,238
Anti Social Behaviour Allowance	0	1
	54,618	47,327
Rent	(43,989)	(43,548)
Interest on Receipts	(6)	(9)
	10,623	3,770
Prior Year Adjustment	(27)	88
Total Subsidy Due for the Year	10,596	3,858

7. Contribution from General Fund

This represents the contribution towards the cost of Grounds Maintenance undertaken on Council Estates which is for the benefit of the whole community.

8. Value of Capital Assets

	At 31 st March 2006 £'000s	At 31 st March 2005 £'000s
Operational Assets		
Dwellings	627,196	601,101
Buildings	3,821	3,449
	631,017	604,550
Non Operational		
Equipment	1,750	969
Land	286	286
Total	633,053	605,805

Council Dwellings have been valued using the Existing Use Value - Social Housing (EUV-SH) in accordance with the government's guidance.

The open market value of council dwellings at 31st March 2005 is £1,262.0m compared to £986.13m as at 31st March 2004. Vacant possession value when compared with existing use value is a measure of the economic cost of government guidelines on rent and legal requirements on the discounts on sale of properties to tenants.

9. Capital Expenditure 2005/06

Capital expenditure for the year totalled £51,130k and has been financed as follows:

	2005/06 £'000s	2004/05 £'000s
Loans	40,862	34,000
Major Repairs Allowance (See also note 12)	6,914	10,960
Capital Receipts	0	2,300
Grants	186	264
Revenue	0	2,500
Change in Capital Creditors	3,168	964
Total Capital Expenditure	51,130	50,988

Capital Expenditure was incurred over the following assets

	2005/06 £'000s	2004/05 £'000s
Council Housing	49,031	49,661
Non operational Assets	1,025	1,031
Equipment	1,074	296
Total Capital Expenditure	51,130	50,988

10. Capital Receipts 2005/06

The following capital receipts were received in the year:

	2005/06 £'000s	2004/05 £'000s
Sale of Dwellings	15,157	20,184
Sale of Land	901	0
Total Capital Receipts	16,058	20,184

The asset value of the dwellings sold in 2005/06 was £14,422,432 compared with an asset value of £20,275,000 in 2004/05.

11. Major Repairs Reserve

The transactions incurred in relation to the Major Repairs Reserve were as follows:

	2005/06 £'000s	2004/05 £'000s
Balance at Beginning of Year	749	835
Add: depreciation charged to HRA (see Note 12)	13,730	10,132
Add: Difference between Major Repairs allowance and depreciation charged to revenue	(3,152)	742
	11,327	11,709
Less: Expenditure in the Year		
Contribution to capital programme	6,914	10,960
Balance at End of Year	4,413	749

At year end, the depreciation charge was higher than the Major Repairs Allowance. Government rules require that the difference between the depreciation charges (£13.730m) and the Major Repairs Allowance (£10.858m) is transferred to the Major Repairs Reserve in order to ensure it is used to fund capital works. Therefore the higher depreciation charge has a neutral effect on the Housing Revenue Account

12. Depreciation Charges

The charges relate to depreciation for the land, houses & property within the HRA.

	2005/06 £'000s	2004/05 £'000s
Operational Assets : dwellings	13,358	9,829
Operational Assets : other land & buildings	79	71
	13,437	9,900
Equipment	292	232
Non Operational Assets	0	0
Total Depreciation Charged	13,729	10,132

The depreciation policy remains the same as that used in 2004/05.

- Dwellings & other buildings are depreciated based over a useful life of 45 years
- Equipment is depreciated based over a useful life of 5 years

13. Housing Benefit Payments – Transitional Protection

With effect from 2004/05 housing benefit payments to council tenants are now accounted for within the General Fund Consolidated Revenue account.

For 2004/05 and 2005/06 local authorities are permitted to make a transfer from the Housing Revenue Account (HRA) to the Councils General Fund to provide transitional protection for the general fund from the net cost of dealing with Housing Benefit overpayments.

For 2005/06 the value of the transfer from the HRA to the General Fund is £211,650 compared with £339,000 in 2004/05.

TRADING ACCOUNT STATEMENTS**Summary Revenue Account**

Under the Best Value Accounting Code of Practice the Council operates a number of Trading Accounts: -

Activity	2005/06			2004/05
	Income	Expenditure	(Surplus) / Deficit	(Surplus) / Deficit
	£'000s	£'000s	£'000s	£'000s
Security & Response	2,052	2,132	80	104
Schools and Welfare Catering	7,211	7,275	64	(31)
Fleet Management	7,889	7,748	(141)	(222)
Building Cleaning	3,471	3,550	79	51
Property Consultancy	4,195	4,142	(53)	53
Legal	1,592	1,592	0	138
Building Control	632	542	(90)	(141)
Images	591	652	61	(2)
<i>(Surplus) Deficit</i>	27,633	27,633	0	(50)

CONSOLIDATED BALANCE SHEET

This statement shows the financial position of the Council as a whole and summarises its assets and liabilities.

	Notes	31 st March 2006		31 st March 2005	
		£'000s	£'000s	£'000s	£'000s
<u>Fixed Assets</u>	1				
Intangible Assets		36		55	
Operational Assets					
Council Dwellings		627,195		601,146	
Operational Property		329,250		325,624	
Infrastructure		62,399		51,256	
Vehicles, Plant, Furniture & Equip.		11,896		7,879	
Community Assets		9,524		8,239	
Work In Progress		20		832	
Non-Operational Assets		57,811	1,098,131	45,720	1,040,751
Long Term Investments	2		10,237		10,215
Long Term Debtors	3		11,750		10,979
Total Long Term Assets			1,120,118		1,061,945
<u>Current Assets</u>					
Stocks	4	887		924	
Debtors	5	54,565		45,798	
Prepayments		6,695		4,866	
Short Term Investments		19,000		14,000	
Cash & Bank		3,554	84,701	3,647	69,235
<u>Less Current Liabilities</u>					
Creditors	6	56,679		50,091	
Temporary Borrowing		49,064		49,600	
Bank Overdraft		5,954	111,697	11,688	111,379
Net Current Assets/Liabilities			(26,996)		(42,144)
Total Assets Less Current Liabilities			1,093,122		1,019,801
Long Term Borrowing	7		282,984		228,845
Deferred Liabilities	8		13,583		14,111
Provisions	10		11,192		10,239
Liability related to defined pension scheme	23		151,900		131,400
Total Assets Less Total Liabilities			633,463		635,206
<u>Fund Balances & Reserves</u>					
Capital Grants Unapplied	11		796		1,017
Capital Grants Deferred	12		46,536		32,774
Capital Receipts Unapplied	13		7,361		6,371
Fixed Asset Restatement Account	14		478,213		486,686
Deferred Capital Credits	9		1,240		1,420
Capital Financing Account	15		209,686		208,217
Pensions Reserve	23		(151,900)		(131,400)
Major Repairs Reserve	16		4,413		749
Reserves & Revenue Balances	16		37,118		29,372
			633,463		635,206

Stephen M. Arnfield
 Director of Corporate Resources
 27th September 2006

Notes to the Consolidated Balance Sheet

1. Fixed Assets

1.1 Bases of Valuation

- **Council Dwellings**

Council Dwellings have been valued using the Existing Use Value – Social Housing (EUV-SH) in accordance with the government's guidance.

Housing Revenue Account properties were valued by the North West District Valuer.

- **Operational Property**

Is valued by qualified valuers employed by the Authority.

- **Non-Operational Property**

Is included at market value as assessed by qualified valuers.

Valuations for Operational and Non-Operational Property other than Housing Revenue Account were provided by the Authority's in-house valuers led by K.Hilton F.R.I.C.S. – Assistant Director of Corporate Resources (Corporate Property).

Revaluations of these assets are undertaken within a four-year rolling programme, although material changes to asset valuations will be adjusted in the interim period as they occur.

- **Leased Assets**

The value of assets acquired under finance leases is included in the balance sheet under Vehicles, Plant & Equipment.

- **Vehicles, Plant & Equipment**

Are shown on a depreciated historic cost basis except for finance leased assets which are valued on the basis of outstanding rentals due.

For fixed assets carried at current value capital expenditure incurred in the year of account is capitalised, thus adding to the asset's valuation until the next professional valuation.

1.2 Movements in Fixed Assets

The following tables summarise movements in fixed asset values during the year:

Fixed Assets	Net Book Value 1st April 2005	Additions 2005/06	Disposals 2005/06	Revalued in Year	Depreciation In Year	Writeouts & PYA's	Net Book Value 31st March 2006
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Intangible	55	6				(25)	36
Council Dwellings	601,146	49,031	(14,422)	4,799	(13,359)		627,195
Operational Property	325,624	19,705	(10,592)	3,607	(7,374)	(1,720)	329,250
Community Assets	8,239	1,717		7	(439)		9,524
Infrastructure	51,256	11,152			(9)		62,399
Vehicles, Plant, etc.	7,879	9,689			(3,792)	(1,880)	11,896
Work in progress	832	20	(21)			(811)	20
Non – Operational Property	45,720	135	(1,750)	14,083	(306)	(71)	57,811
Total	1,040,751	91,455	(26,785)	22,496	(25,279)	(4,507)	1,098,131

Analysis of Opening Balance	Gross Book Value 1st April 2005	Cumulative Depreciation	Net Book Value 1st April 2005
	£'000s	£'000s	£'000s
Intangible Assets	55		55
Council Dwellings	610,975	9,829	601,146
Operational Property	346,221	20,597	325,624
Community Assets	8,239		8,239
Infrastructure	51,310	54	51,256
Vehicles, Plant, etc.	12,791	4,912	7,879
Work in progress	832		832
Non – Operational Property	47,446	1,726	45,720
Total	1,077,869	37,118	1,040,751

1.3 Impairment

Where assets have been subject to “impairment” i.e. a one-off loss of value not reflected in depreciation (e.g. fire damage), that loss of value should be charged to revenue in the year in which the loss occurred following similar entries to those for depreciation. Impairment of £440,000 has been identified in 2005/06, see Note 2 of the Consolidated Revenue Account.

1.4 Sources of Finance for Capital Expenditure on Fixed Assets

The sources of finance for capital expenditure on fixed assets during the year are shown below:

Source of Finance	Fixed Assets		Other Capital Expenditure		Intangible Assets		Total	
	2005/06 £'000s	2004/05	2005/06 £'000s	2004/05	2005/06 £'000s	2004/05	2005/06 £'000s	2004/05
Loans	53,073	49,734	5,290	6,177	6	54	58,369	55,965
Capital Receipts	2,856	6,141	2,279	1,896		0	5,135	8,037
Grants	18,864	16,502	6,946	3,920		0	25,810	20,422
Revenue (includes Major Repairs Allowance)	12,461	14,163	42	50		0	12,503	14,213
Reserves	207	122	3			0	210	122
External Financing	359	672	297	29		0	656	701
Changes in creditors and under financing	4,095	(943)	(33)	(17)		0	4,062	(960)
Total Capital Expenditure	91,915	86,391	14,824	12,055	6	54	106,745	98,500

1.5 Profile of Fixed Assets Held

An analysis of major fixed assets as at 31 March 2006 has been provided by Corporate Property Services using their Property Holding Model and is given below. In addition there are various items of vehicles, plant and equipment.

PROPERTY HOLDING MODEL - ASSETS

31 March 2006

Committee	Operational						Investment & Non Operational						Surplus Property (Vacant)		
	Direct Service	05/06	04/05	Support Service	05/06	04/05	Pure Investment	05/06	04/05	Council Objective	05/06	04/05		05/06	04/05
Education and Culture	Schools	182	184							Community Centres	12	13			
	Pupil Referral Units	17	12							Youth Centres	13	12			
	Museums	1	2							Other	2	2			
	Leisure Centres	11	12												
	Libraries	13	12												
Environment	Highways	7	7							Starter units	8	8			
	Principal Roads	101km	101km							Enterprise Centre	1	1			
	Classified Non-principal Roads	95km	96km							Car Parks	88	82			
	Unclassified Roads/Footpaths	930km	823km							Conveniences	13	14			
Housing HRA	Council Houses/Land	18,767	19,266	Estate Offices	32	32	HRA Ground Rents	5	0	Estate Shops	30	30			
	Sundry Properties	50	38	Residents Association Premises	0										
Housing GRF	Homeless Hostels	0		Sheltered Accommodation Community Centres	7	13									
	Caravan Site	1	1	GRF Miscellaneous	1	5									
Social Services	Day Care Centre	11	14												
	Residential Homes	14	17												
Corporate Resources				Admin Buildings	35	34	Garden Tenancies	41	22	Markets	4	5	Land and Buildings	105	17
				Depots	6	6	Garages	117	104	Smithills Estate	63				
				Training Centre		1	Shops	19	22	Sure Start connexions	7	7			
							Offices	15	14			1			
							Industrial	13	13						
							Farms	7	6						
							Ground Rents	834	534						
							Advert Hoardings	1							
							Grazing Land	19	17						
							Commercial	35	32						
							Misc Residential Land	8	8						
Corporate Resources Property Review Interim Holding Account	Crematorium	1	1	Open Space	369	260				Allotments	29	23			
	Cemeteries	19	19	Community Education	10	9				Golf Courses	2	1			
	Parks	124	101												

2. Long Term Investments

The following table identifies the long-term investments held as at 31st March 2006: -

Investment – Shares	31st March 2006 £'000s	31st March 2005 £'000s
Manchester Airport Group P.L.C.	10,214	10,214
J.P. Morgan	23	
Modesole Ltd. Shares	0	1
Total	10,237	10,215

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

- 10,214,000 fully paid £1 ordinary shares in Manchester Airport Group P.L.C. This represents 5% of the issued share capital. The company owns and develops the International Airport. In the year the Council received dividends of £1,250,000. The company's most recent accounts for the year ending 31st March 2006 indicated the company had net assets of £793.1m (£764.1m the previous year) and made a profit of £60.7m after taxation (£74.05m the previous year). The company's accounts have received an unqualified audit certificate.

Further information and details of the Manchester Airport Group P.L.C financial statements of may be obtained from the Company Secretary, Manchester Airport Group PLC, Manchester M90 1QX

- J.P. Morgan are investments held for the benefit of the Maintenance of Graves in Perpetuity account which was previously a Trust Fund.
- Modesole Ltd, (formerly GM Property Trust) is the holding company for the ten Greater Manchester districts interest in the Midland Hotel & Conference Centre Ltd and G-Mex Ltd. (formerly Central Station Properties Ltd). Modesole Ltd was 100% owned by the ten districts, however Bolton sold its shareholding on 9th August 2005.

3. Long Term Debtors

	31st March 2006	31st March 2005
	£'000s	£'000s
Advances to Manchester Airport PLC	9,019	9,524
Mortgages	105	162
Turton School Governors	14	19
Tennis Arena Trust	462	1,161
Industrial Loans	109	109
Former Magistrates Authorities (10 Greater Manchester Districts)	2,041	0
Total	11,750	10,975

4. Stocks

	31st March 2006	31st March 2005
	£'000s	£'000s
Stocks	887	924
	887	924

5. Debtors

The debtors can be analysed as follows:

	31st March 2006	31st March 2005
	£'000s	£'000s
Council Tax etc	9,205	8,989
Business Rates	2,764	3,600
Council House Rents	2,950	3,349
Central Government and Other Non-Departmental Government Bodies	12,324	5,747
H.M. Customs & Excise / Inland Revenue	8,900	4,605
Mortgages	23	33
Other Local Authorities	333	1,623
Car Purchase Schemes	180	184
Sundry Debtors	25,242	26,372
Capital Debtors	3,213	3,508
Sub Total	65,134	58,010
Less: Provision for Bad Debts	(10,569)	(12,212)
Total	54,565	45,798

6. Creditors

The outstanding creditors on 31st March in the respective years are:

	31st March 2006 £'000s	31st March 2005 £'000s
Tax and National Insurance	5,872	5,465
Superannuation	3,586	1,755
Other Local Authorities	1,114	542
Central Government Department	7,281	10,869
Capital Creditors	9,083	6,414
Treasury Management creditors	1,732	1,362
Developers Deposit accounts	514	594
Sundry Creditors	27,497	23,090
Total	56,679	50,091

7. Long Term Borrowing

Source of Loan	Interest Rates %	Total Outstanding 31 st March	
		2005/06 £'000s	2004/05 £'000s
Public Works Loans Board	2.5 to 13.75	230,732	176,594
Bonds	3.85 to 12.125	52,250	52,250
Mortgages	3.333	1	1
Total Borrowing		282,983	228,845
Less: Due Within 12 Months on Demand		(622)	(861)
		282,361	227,984
An Analysis of Loans by Maturity at 31 st March :-			
Amounts of Principal to be Repaid			
In 1 to 2 Years		5,131	622
In 2 to 5 Years		8,424	11,060
In 5 to 10 Years		7,522	9,243
After 10 Years		261,284	207,059
		282,361	227,984

Bolton MBC External Loan Debt matures (fully repaid) as follows:

	2005/06 £'000s	2004/05 £'000s
Within 1 Year	24	271
1 - 2 Years	4,597	50
2 - 5 Years	7,004	9,670
5 - 10 Years	6,089	8,137
After 10 Years	265,269	210,716
Total Borrowing	282,983	228,844

8. Deferred Liabilities

	Total Outstanding at 31st March	
	2005/06 £'000s	2004/05 £'000s
Former G.M.C. Debt (i)	13,183	13,608
Former L.C.C. Debt (ii)	384	471
Other (iii)	16	31
Total	13,583	14,110

- (i) The Greater Manchester County Council (G.M.C.) ceased to exist on 31st March 1986. The debt associated with the fixed assets of G.M.C. passed to the successor Authorities with debt administration being managed by Tameside M.B.C. on behalf of those Authorities.
- (ii) The debt outstanding on those assets transferred from Lancashire County Council (L.C.C.) at the 1974 reorganisation continues to be administered by L.C.C. The debt charges paid to L.C.C. are treated as part of the service expenditure to which the assets relate.
- (iii) Other deferred liabilities arise solely from finance leases entered into by the Council.

9. Deferred Capital Credits

Deferred capital credits are amounts derived from the sale of assets or other credits which will be received in instalments over agreed periods of time. At 31st March 2006 the Authority held £1,240,000 (£1,419,000 at the 31st March 2005).

10. Provisions

	1st April 2005 £'000s	Receipts In Year £'000s	Payments In Year £'000s	31st March 2006 £'000s
Self Insurance – Liability and Fire (1)	9,709	4,071	2,721	11,059
Property Renewal & Development (2)	6	0	6	0
Charitable Rate Relief (3)	319	0	319	0
Industrial Estates Dilapidation	133	163	248	48
Other	76	83	74	85
Total	10,243	4,317	3,368	11,192

Notes

- (1) In accordance with FRS 12 the Insurance Liabilities at 31st March 2006 are estimated to be £11,059,000. An Insurance Reserve has been set up to hold any surplus or deficit on the Insurance Provision.
- (2) Property Renewal and Development in part reflects ongoing liability for work to the Council's own property.
- (3) The liability for Rate relief occurs annually in the Collection Fund, it is charged to General Fund the following year. From 2005/06 the liability has been recognised as a creditor.

11. Capital Grants Unapplied

These are capital grants that have not yet been used to finance capital expenditure.

	Capital Grants	
	£'000s	
	2005/06	2004/05
Balance at Beginning of Year	1,017	1,192
<u>add:-</u>		
Receipts in Year	23,292	19,781
<u>less:-</u>		
Applied During the Year:-		
Capital Financing	(6,334)	(5,148)
Transfer to Deferred Grants A/c	(16,990)	(14,711)
Other Application	(189)	(97)
<i>Balance at End of Year</i>	<i>796</i>	<i>1,017</i>

12. Capital Grants Deferred

The balance on the account is written off to revenue over the life of the asset that the grant has been used to fund.

	Capital Grants Deferred	
	£'000s	
	2005/06	2004/05
Balance at Beginning of Year	32,773	19,561
Grants Received in Year	16,990	14,711
Transfer to Asset Management Revenue Account	(1,539)	(1,499)
Transfers to Other Accounts	(1,689)	0
<i>Balance at End of Year</i>	<i>46,535</i>	<i>32,773</i>

13. Capital Receipts Unapplied

These are capital receipts that have not been used to finance capital expenditure or to repay debt. A full analysis can be found accompanying the Statement of Total Movement in Reserves.

14. Fixed Asset Restatement Account

This account is adjusted by the net book value of assets as they are disposed of and to reflect revaluations. The account is not available to supplement the Council's spending programmes. A full analysis can be found accompanying the Statement of Total Movement in Reserves.

15. Capital Financing Account

The Capital Financing Account contains amounts required by statute to be set aside from capital receipts, government grants and the amount set aside from revenue accounts for the repayment of debt. It also contains the amounts used from revenue, capital receipts and grants to finance the capital programme. The account is not available to supplement spending programmes of the Council.

A full analysis can be found accompanying the Statement of Total Movement in Reserves.

16. Reserves and Revenue Balances

Under the Council's Financial Regulations committees are permitted to retain managed budget savings for future use. The council also has General Fund Balances as reserves, which are held to provide working capital, and as a safeguard against unexpected demands.

	1 st April 2005	Receipts	Payments	31 st March 2006
	£'000s	£'000s	£'000s	£'000s
<u>Earmarked Statutory Reserves</u>				
Schools - Delegated Budgets	3,223	762	0	3,985
Trading Accounts	102	3	(35)	70
Housing Revenue Account	3,504	19,561	(7,556)	15,509
Collection Fund	920	89	0	1,009
Total Earmarked Statutory Reserves	7,749	20,415	(7,591)	20,573
<u>Earmarked Policy Reserves</u>				
Insurance	1,290	59	0	1,349
Other Central Reserves	10,644	12,759	(14,193)	9,210
Education	(1,054)	1,368	(751)	(437)
Commercial Services	(353)	386	(1,230)	(1,197)
Planning & Environment	(114)	2,785	(2,818)	(147)
Culture	(33)	478	(393)	52
Housing G.R.F.	2,370	826	(1,309)	1,887
Social Services	2,148	119	(273)	1,994
Markets - Bridging Fund	(1,403)	84	0	(1,319)
- other funds	793	0	(204)	589
Challenge Funded Schemes	58	0	0	58
Total Earmarked Policy Reserves	14,346	18,864	(21,171)	12,039
General Reserves	8,026	893	0	8,919
Total Reserves & Balances	30,121	40,172	(28,762)	41,531

17. Leasing Arrangements

The only leases generated by the Council relate to land and property. In 2005/06 £1.7M rental income was generated from premises with a net book value of £35.0M.

The Council has acquired, under operating lease arrangements, various capital items. These are applicable to vehicles, plant and equipment. An analysis of these leases is shown below:

<u>Operating lease payments due in 2006/07</u>	£'000s
Leases expires 2006/07	284
Lease expires 2007/08 to 2009/10	160
Lease expires after 2009/10	0
Total	444

18. Assets Held Under Finance Leases

The authority has a finance lease relating to plant and equipment:

	Gross Book Value £'000s	Accumulated depreciation to 31/3/05 £'000s	Depreciation in the year £'000s	Net Book Value £'000s
Plant and equipment	187	(140)	(16)	31

Future amounts payable:

	£'000s
2006/07	23
2007/08 to 2009/10	0

19. Long Term Obligations

The Council has procured a new school, library, training centre and community facility at Castle Hill through a Public Finance Initiative (PFI). The asset will not belong to the Council and as such will not appear on the balance sheet however the Council is committed to an annual unitary payment for 25 years from September 2003.

The Council has entered in to an agreement with Bolton Community Leisure to lease (at a peppercorn) and manage indoor leisure facilities for a period of 15 years from January 2004. The Council will grant fund the Trust during that period.

The Council has also entered in to a five year agreement for the management of its Council Houses with Bolton at Home Ltd. from December 2002. The details of that arrangement are set out in the Group Accounts section of this Financial Statement.

20. Significant Commitments under Capital Contracts

The Authority is committed to undertake the following expenditure:

<u>Approved And Contracted Schemes</u>	<u>£'000s</u>
<u>Commercial Services</u>	
Refuse Vehicles	450
<u>Culture</u>	
High Street Library	683
<u>Environment</u>	
Bus Corridor Works:	
Manchester Rd/Lower Bridgeman St	2,113
Middlebrook Cycle Route	250
<u>Finance</u>	
Voice & Data Contract – Affiniti	330
<i>Total</i>	3,826

<u>Schemes Approved But Not Contracted</u>	<u>£000s</u>
<u>Corporate Issues</u>	
Health & Safety surveys	290
Asset Management Plan	2,000
<u>Environment</u>	

Hartford Road (Daisy Hill By-Pass)	280
A676 Deane Road maintenance	341
A579 Derby Street maintenance	453
B6199 Plodder Lane maintenance	389
B6536 Manchester Road maintenance	420
B5239 Dicconson Lane	266
Ryefield Street Bridge Strengthening	325
Cunningham Brook Bridge Strengthening	285
Foxholes Wood Bridge Strengthening	350
Stanley Gate Retaining Wall	250
Glen Avenue Highway Embankment	250
Bus Corridor Works: Hulton Lane/Wigan Rd Junction	314
Nelson St/Weston St	701
Beaumont Rd/Chorley New Rd Junction	500
Bradford St widening	1,000
Fletcher St/Bridgeman St	250
Longcauseway Junction	510
Car Parks at Railway Stations: Hall I'th Wood	572
Moses Gate	375
Daisy Hill	540
Bromley Cross	523
Public Transport Improvements: Churchgate	579
Bus Gyratory (Phases 1 to 5)	1,380
University Safe Routes	601
Folds Rd/Bow St Gyratory	400
Marsden Rd/Deansgate Junction	319
<u>Housing</u>	
GRF Capital Program	8,000
HRA Capital Program	58,600
<u>Education</u>	
Greenfold, Cherry Tree	2,915
Withins Firwood	1,000
Hayward Targeted Capital Fund	4,000
Building Maintenance Programme	2,000
Asset Management Plan Priorities	1,000
<u>Culture</u>	
Cultural Quarter	125
Total	92,103

21. **Contingent Liabilities**

- **Municipal Mutual Insurance Ltd**

In March 1993 the Council's insurers, Municipal Mutual Insurance (MMI) ceased accepting new business. The Council had a number of outstanding claims with MMI and arrangements are in place to ensure an orderly settlement of the sums due.

MMI were taken over by Zurich Insurance in March 1993 to form Zurich Municipal Limited. Claims arising as from April 1993 are now secured by Zurich's financial backing and are therefore deemed secure.

With regard to claims prior to April 1993 these are still funded by MMI under a scheme of arrangement with its creditors, whereby claims are initially paid out in full, but in the event that the eventual winding up of the company results in insufficient assets to meet all liabilities, a claw back clause will be triggered which would affect claims already

paid. At the present time it is not known whether the claw back clause will be invoked and therefore, no provision for the potential liability has been made in the balance sheet

- Independent Insurance

A provisional liquidator was appointed to Independent Insurance Company Ltd on the 18th June 2001. The company provided the Council with stop loss public and employers liability cover for the year 1993. It is not known at this stage if the company will be able to meet all the claims costs in excess of the Council's stop loss.

- Repayment of Government Grants

The Council has for many years received government grants towards the cost of acquiring and enhancing assets. When such assets are disposed of within specified period of time, the Council is required to repay an element of the grant. There is no known liability at this time

As part of the Challenge Funded regeneration programmes the Authority has acquired property for redevelopment. These properties have been transferred to partner developers and arrangements for reimbursement of costs to an agreed maximum have been made. If a challenge-funded asset is sold the resulting receipts are ringfenced to meet proportionate grant clawback. Property valuations and clawback calculations will be subject to negotiation with the Government Office for the North West.

- Possible Litigation

There are potential claims against the Authority arising from Land, Property, Liability or Employment issues. These are being addressed on a case by case basis. It is currently anticipated any such claim can be resisted or met from existing budgets or provisions.

- Modesole Ltd

As a result of the Council receiving a distribution of proceeds from the sale of its entire shareholding in Modesole Ltd, a liability may arise, the extent of which can not yet be determined. An indemnity was given to the buyer against any future liabilities arising in Modesole prior to the date of the sale. This indemnity is limited to the value of the sale proceeds received and will last for a period of 10 years from the date of sale, which was completed on 9 August 2005.

- Equal pay compensation

Under the Equal Pay Act 1970 as modified by the Equal Pay Act (Amendment) Regulations 2003 employees may lodge claims for compensation from their employer for failing to give equal pay for work of equal value. No provision has been made in the balance sheet for any potential liabilities. The full extent of any such claims against the Council cannot currently be assessed.

22. Euro Costs

The Council is making preliminary plans for the contingency that the United Kingdom may adopt the Euro. To date research has been undertaken and minor amendments to working practice have been made. Euro compliance is a requirement in all-relevant acquisitions. No estimate of the total costs involved has been made. The expenditure incurred to date has

been found from within existing budgets and is not material within the context of the Council's overall finances.

23. Disclosure of Net Pensions Asset/Liability

Note 10 to the Consolidated Revenue Account contains details of the Authority's participation in the Local Government Pension Scheme and the associated retirement benefits.

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31st March are as follows:

Local Government Pension Scheme	2005/06 £'000s	2004/05 £'000s
Estimated Liabilities in the scheme	(728,800)	(599,500)
Estimated assets in the scheme	576,900	468,100
Net asset/(liability)	(151,900)	(131,400)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £151.9m has a substantial impact on the net worth of the Authority as recorded in the balance sheet. However statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy as the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method. This is an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme liabilities have been assessed by Hymans Robertson, an independent firm of actuaries being based on the latest full valuation of the scheme as at 31st March 2006. The main assumptions used in the calculations are:

Local Government Pension Scheme	2005/06	2004/05
Rate of inflation	3.1%	2.9%
Rate of increase in salaries	4.6%	4.4%
Rate of increase in pensions	3.1%	2.9%
Rate for discounting scheme liabilities	4.9%	5.4%

Changes to the local government pension scheme

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have taken the view that there is insufficiently reliable evidence to assume a level of take-up of the change in the pension scheme. Consequently the valuation of the Council's retirement benefit liabilities as at 31 March 2006 does not include any allowance for this change to the pension scheme.

Assets in the Greater Manchester Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held in the fund:

	31 st March 2006		31 st March 2005	
	Long term	Fund	Long term	Fund
	Return	Assets	Return	Assets
	%	%	%	%
Equity investments	7.4	66	7.7	68
Bonds	4.6	16	4.8	14
Other property	5.5	9	5.7	10
Other Cash	4.6	9	4.8	8
Total	8.5	100	6.9	100

Full details of the formal actuarial valuation are available from the Pension Fund Administrators at Tameside Metropolitan Borough.

Teachers Pensions:

With regard to the Teachers Pension Scheme, there were contributions of £1,497,259.75 remaining payable at the year end.

The scheme is a defined benefit scheme administered by the Teachers Pension Agency (TPA). Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purpose of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Authority 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 10.

24. Analysis of Net Assets Employed

The Authority's overall net assets position is detailed below. This note is intended to provide additional information on the sources of net assets.

	<u>2005/06</u>	<u>2004/05</u>
	<u>£m</u>	<u>£m</u>
General Fund	119	120
HRA	504	492
Trading Organisations	9	9
Total	632	621

25. Post Balance Sheet Event

No post balance sheet events have been identified in 2005/06.

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	2005/2006 £000s	2004/2005 £000s
Surplus/(deficit) for the year:		
- General Fund	893	18
- Housing Revenue Account	8,263	142
Add back Movements on earmarked revenue reserves	(1,151)	2,474
Deduct Appropriation from pensions reserve	(6,200)	(100)
Actuarial gains and losses relating to pensions	(14,300)	(88,300)
Total increase/(decrease) in revenue resources (note 1)	(12,495)	(85,766)
Increase/(decrease) in useable capital receipts	990	(735)
Increase/(decrease) in unapplied capital grants and contributions	(401)	(102)
Total increase/(decrease) in realised capital resources (note 2)	589	(837)
Gains/(losses) on revaluation of fixed assets	18,291	167,664
Impairment losses on fixed assets due to general changes in prices	0	0
Total increase/(decrease) in unrealised value of fixed assets (note 3)	18,291	167,664
Value of assets sold, disposed of or decommissioned (note 4)	(26,764)	(20,784)
Capital receipts set aside	8,097	10,410
Revenue resources set aside	(6,162)	(3,134)
Movement on Government Grants Deferred	13,762	13,212
Movement on Major Repairs Reserve	3,664	(86)
Total increase/(decrease) in amounts set aside to finance capital investment (note 5)	19,361	20,402
Total recognised gains and losses	(1,018)	80,679

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES**1. Movements in Revenue Resources**

	General Fund Balances £000s	HRA Balances £000s	Earmarked Revenue Reserves £000s	Pensions Reserve £000s
Surplus/deficit for 2005/06	893	11,927		
Appropriations to/from revenue			(1,151)	(6,200)
Actuarial gains and losses relating to pensions				(14,300)
	893	11,927	(1,151)	(20,500)
Balance brought forward at 1 April 2005	8,026	3,504	17,099	(131,400)
Balance carried forward at 31 March 2006	8,919	15,431	15,948	(151,900)

2. Movements in realised Capital Resources

	Usable Capital Receipts £000s	Unapplied Capital Grants And Contributions £000s
Amounts receivable in 2005/06	6,125	23,318
Amounts applied to finance new capital investment in 2005/06	(5,135)	(23,394)
Transfer to other accounts		(325)
Total increase/(decrease) in realised capital resources in 2005/06	990	(401)
Balance brought forward at 1 April 2005	6,371	1,377
Balance carried forward at 31 March 2006	7,361	976

3&4. Fixed Asset Restatement Account

	Fixed Asset Restatement Account £000s
3. Movements in unrealised value of fixed assets	
Gains/(losses) on revaluation of fixed assets in 2005/06	18,291
Impairment losses on fixed assets due to general changes in prices in 2005/06	0
Total increase/(decrease) in unrealised capital resources in 2005/06	18,291
4. Value of assets sold, disposed of or decommissioned	
Amounts written off fixed asset balances for disposals in 2004/05	(26,764)
Total movement on reserve in 2005/06	(8,473)
Balance brought forward at 1 April 2005	486,686
Balance carried forward at 31 March 2006	478,213

5. Movements in amounts set aside to finance capital investment

	Capital Financing Account £000s	Government Grants Deferred £000s	Total £000s
Capital receipts set aside in 2005/06:			
- reserved receipts	2,962		
- usable receipts applied	5,135		
Total capital receipts set aside in 2005/06	8,097		8,097
Revenue resources set aside in 2005/06			
- capital expenditure financed from revenue	22,456		
- reconciling amount for provisions for loan repayment	(29,084)		
Total revenue resources set aside in 2005/06	(6,628)		(6,628)
Grants applied to capital investment in 2005/06		16,990	
To other Accounts		(1,689)	
Amounts credited to the Asset Management Revenue Account in 2005/06		(1,539)	
Movement on Government Grants Deferred		13,762	13,762
Total increase / (decrease) in amounts set aside to finance capital investment			15,231
Total movement on reserve in 2005/06	1,469	13,762	
Balance brought forward at 1 April 2005	208,217	32,773	
Balance carried forward at 31 March 2006	209,686	46,535	

6. Pensions

The actuarial gains identified as movements on the Pensions reserve in 2005/06 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2006.

Local Government Scheme	2005/06		2004/05		2003/04		2002/03	
	£000	%	£000	%	£000	%	£000	%
Differences between the expected and the actual return on assets	73,900	12.8	21,500	4.6	64,700	14.3	(102,200)	(28.2)
Differences between actuarial assumptions about liabilities and actual experience	(3,000)	0.4	(10,600)	1.8	(200)	0.0	5,500	(1.1)
Changes in the demographic and financial assumptions used to estimate liabilities	(85,200)	11.7	(99,200)	16.5	0			
	(14,300)		(88,300)		64,500		(96,700)	

COLLECTION FUND

These accounts represent the transactions of the Collection Fund, which is a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax, non-domestic rates and residual Community Charge on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. The costs of administering collection are accounted for in the General Fund. In accordance with the Code of Practice on Local Authority Accounting in Great Britain, only an income and expenditure account is shown, the balance sheet being consolidated into the Authority's Consolidated Balance Sheet. The accounts have been prepared on the accruals basis.

Income and Expenditure Account

	<u>Notes</u>	<u>2005/06</u>	<u>2004/05</u>
		<u>£'000s</u>	<u>£'000s</u>
Income			
Council Tax	1	80,752	76,963
Transfers from General Fund:			
Council Tax Benefit		17,894	16,695
Council Tax Transitional Relief		0	0
Business Rates	2	67,199	63,298
Community Charges		0	0
		165,845	156,956
Expenditure			
Precepts and Demands	3	97,104	92,298
Business Rates:			
Payment to National Pool		66,646	62,401
Cost of Collection Allowance		397	398
Interest on Refunds		156	499
Council Tax Bad and Doubtful Debts / Appeals:			
Provisions		(482)	262
Write Offs		1,135	314
Contribution towards Previous Years' Estimated Collection Fund Surplus		800	950
		165,756	157,122
Surplus/(Deficit) for the Year		89	(166)
Surplus at Beginning of Year		920	1,086
Surplus at End of Year		1,009	920

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 MBC, the Police and the Fire Authorities and the income received via the Revenue Support Grant and the NNDR pool.

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 Fire requirements) by the taxbase. 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 2005/06 in the following table:

	<u>Range of Values</u>	<u>Total Number of Dwellings After Adjustments *</u>	<u>Specified Fraction</u>	<u>Band D Equivalent</u>	<u>% of Total Band D</u>
Band A	Up to £40,000	51,042	6/9	34,028	41.8%
Band B	£40,000 to £52,000	16,820	7/9	13,082	16.1%
Band C	£52,001 to £68,000	15,469	8/9	13,750	16.9%
Band D	£68,001 to £88,000	9,052	1	9,052	11.1%
Band E	£88,001 to £120,000	4,660	11/9	5,696	7.0%
Band F	£120,001 to £160,000	1,879	13/9	2,714	3.3%
Band G	£160,001 to £320,000	1,633	15/9	2,722	3.3%
Band H	More than £320,000	173	18/9	346	0.4%
Total		100,728		81,390	100.0%

Estimated collection rate 98%

Council Tax base for tax setting 2005/06 79,762

* After adjustment for new / demolished property, exemptions, disablement relief, appeals and discounts

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

Non-Domestic Rates are organised on a national basis. The Government specifies an amount (41.5p in 2005/06, compared to 45.6p in 2004/05) and 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. The net rates payable, less deductions, are paid to a central pool (the NNDR Pool) administered by Central Government. Under these arrangements, the amounts included in these accounts can be analysed as follows:

	£'000	£'000
Gross Rates		81,675
Less: Transitional and Other Relief Arrangements		(13,676)
		67,999
Less: Bad Debts / Provision for Bad Debts		(800)
		67,199
Cost of Collection Allowance	(397)	
Interest on Refunds	(156)	(553)
Net Contribution to N.N.D.R. Pool		66,646

The NNDR rateable value for the Council's area at the 31st March 2006 was £202,156,182 compared to £166,824,178 at the 31st March 2005.

The Government pays back to authorities their share of the NNDR pool based on a standard amount per head of the local population. For Bolton, this amounted to £87,915,764 in 2005/06 (approximately £333.24 per head of a population of 263,820). This was paid into the General Fund.

3. Precepts and Demands on the Fund

The following authorities made a precept or demand on the fund in 2005/06, with the figures for 2004/05 for comparison:

	<u>2005/06</u>	<u>2004/05</u>
	<u>£'000</u>	<u>£'000</u>
Bolton M.B.C. Demand	85,017	80,973
Greater Manchester Police Authority Precept	8,486	7,903
Greater Manchester Fire and Civil Defence Authority Precept	3,601	3,422
Total Demands and Precepts	97,104	92,298

Cash Flow Statement

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

	31st March 2006		31st March 2005	
	£m	£m	£m	£ms
<u>Revenue Activities</u>				
<i>Cash Outflows</i>				
Cash paid to and on behalf of employees	286.2		281.9	
Other Operating Expenditure	288.2		277.6	
Housing Benefit Paid Out	29.4		27.0	
National non-domestic rate payments to pool	66.6		62.4	
Precepts Paid from Collection Fund	12.1	682.5	11.3	660.2
<i>Cash Inflows</i>				
Rents (after rebates)	32.7		32.5	
Council Tax/Community Charge Receipts	81.3		84.4	
Non-Domestic Rates from pool	87.9		73.1	
Non-Domestic Rates collected	67.7		69.3	
Revenue Support Grant	157.5		155.2	
Grants for Council Tax and Housing Benefits	76.5		70.2	
Other Grants and Contributions	111.6		119.9	
Cash Received for Goods, Services Etc	83.8	699.0	80.7	685.3
		(16.5)		(25.1)
<u>Returns on Investments & Servicing of Finance</u>				
<i>Cash Outflows</i>				
Expenditure - Interest Paid		17.6		15.9
<i>Cash Inflows</i>				
Income - Interest and Dividends Received		(4.1)		(2.7)
Revenue Cash Outflow / (Inflow)		(3.0)		(11.9)
<u>Capital Activities</u>				
<i>Cash Outflows</i>				
Purchase of Fixed Assets	88.3		86.2	
Deferred Charges	14.9		12.1	
Remittance to ODPM	12.0	115.2	10.8	109.1
<i>Cash Inflows</i>				
Capital Receipts	(20.3)		(25.7)	
Capital Grants Received	(18.6)		(17.4)	
Other Capital Cash	(29.4)	(68.3)	(15.6)	(58.7)
<u>Net Cash(inflow) / outflow before financing</u>		43.9		38.5
<u>Management of Liquid Resources</u>				
Net increase /(decrease) in short term deposits		5.0		(23.5)
<u>Financing</u>				
<i>Cash Outflows</i>				
Repayment of Amounts Borrowed		182.3		265.6
<i>Cash Inflows</i>				
New Loans Raised		(236.9)		(290.9)
DECREASE IN CASH		(5.7)		(10.3)

Notes to the Cash Flow Statement

1. Cash Flow Reconciliation

The cash flow statement can be reconciled to the consolidated revenue account as follows:

	2005/06	2004/05
	£m	£m
Surplus as per the Consolidated Revenue Account	(0.9)	0
Adjustments for Non-Cash Movements in Revenue Account :		
Collection Fund Deficit	(0.1)	0.2
HRA Surplus	(9.0)	(0.3)
Other Reserves	(1.7)	(2.4)
Change in Provisions	(1.2)	(0.5)
Change in Debtors and Prepayments	8.9	(21.9)
Change in Stocks	(0.1)	(0.1)
Change in Creditors	1.1	13.1
Net Revenue Cash Outflow / (Inflow)	(3.0)	(11.9)

2. Movements in Cash

Movements in Cash	31 st March 2006	31 st March 2005	(Increase) / Decrease in Cash
	£m	£m	£m
Bank Overdrawn	6.0	11.7	(5.7)
Cash and Bank	(3.6)	(3.6)	-
<i>TOTAL Overdrawn</i>	2.4	8.1	(5.7)

3. Movement in Liquid Resources

Movements in Short Term Investments	31 st March 2006	31 st March 2005	Increase / (Decrease)
	£m	£m	£m
Opening Balance	14.0	37.5	(23.5)
Invested in the year	122.0	83.0	39.0
Redeemed in the year	117.0	106.5	10.5
<i>Closing Balance</i>	19.0	14.0	5.0

4. **Reconciliation of Movement in Cash to the Movement in Net Debt**

	Balance 1 st April 2005 £m	Movement in the year £m	Non – Cash £m	Balance 31 st March 2006 £m
Cash overdrawn	(11.7)	5.7		(6.0)
Cash in hand	3.6	-		3.6
Long-term borrowing	(228.8)	(55.1)	0.9	(283.0)
Short-term borrowing	(49.6)	1.4	(0.9)	(49.1)
Short-term investments	14.0	5.0		19.0
NET DEBT	(272.5)	(43.0)	-	(315.5)

5. Government Grants & Contributions

The major income items for the Other Grants shown in the Cash Flow statement, can be analysed as follows:

	<u>31st March 2006</u>	<u>31st March 2005</u>
	<u>£m</u>	<u>£m</u>
Administration of Justice *	0	20.6
Housing Subsidy	10.6	5.7
Standards Fund	14.3	12.2
Standards Grant	5.3	5.0
Threshold Grant	6.5	5.4
Learning and Skills Council	11.0	11.2
District Health Contributions	8.5	7.4
Other LA Contributions (Magistrates etc)*	0	6.7
SRB	8.8	2.5
Neighbourhood Renewal Fund	5.4	4.3
Supporting People	3.0	3.1
Sure Start	6.0	4.5
Access & Systems Capacity	3.4	2.5
Other Social Services	5.4	2.5
Pump Priming	2.9	0
Children's Fund	1.0	1.2
Other Grants	19.5	25.1
Total	111.6	119.9

* Discontinued Service

GROUP ACCOUNTS

1 Bolton at Home Ltd

On December 1st 2002 Bolton MBC placed its Housing Management (and some regeneration activity and community support services) into an Arms Length Management Organisation, Bolton at Home Ltd. The company is a local authority controlled company limited by guarantee. The other sections of the Statement of Accounts are prepared on the basis that Bolton at Home Ltd is a separate company with whom the Council contracts. The following statement provides information on the combined activity of the Council and Bolton at Home Ltd using the merger method and eliminates transactions between them.

Group Revenue Account

The accounts for Bolton at Home Ltd covering the twelve months to 31st March 2006, subject to audit, show a net profit of £35,000 for the year on turnover of £45.8m and net book value of £50,000 (before FRS17 Pensions adjustment). In the previous 12 month period to 31st March 2005 the company had a turnover of £46.2m and made a profit of £8,000.

Although the consolidation of Bolton at Home transactions into the Bolton MBC accounts makes no material difference to the cost of services in itself, the difference in convention on which the two sets of accounts are prepared necessitates the restatement of the revenue account as follows:

- ❑ Introduction of FRS17 adjustment for Bolton at Home Ltd.
- ❑ Removal of asset rental notional interest from BMBC accounts
- ❑ Introduction of gain or loss of sales of assets

After making these adjustments a Group Income and Expenditure Account is as follows:

2004/05 *Net Exp		2005/06		
		Gross Exp £ms	Gross Income £ms	Net Exp £ms
	<u>Continuing Services</u>			
304.5	General Fund	623.9	290.8	333.1
(9.8)	Housing Revenue Account	40.2	57.0	(16.8)
10.4	Disposal of Fixed Assets	26.8	20.3	6.5
305.1	Net cost of continuing Services	690.9	368.1	322.8
1.2	Discontinued Services - Magistrates	0.2	0.1	.1
306.3	<u>Net Cost of Services</u>	691.1	368.2	322.9
0.3	Parish Precepts			0.3
(0.5)	Trading Account Gross (Surplus) / Deficit			0
(0.2)	Market Surplus			0.3
(5.7)	Pension Interest Cost and expected return on Pension assets			0.3
(3.0)	Interest & Dividends received			(4.1)
19.1	Interest Paid			16.7
316.3	Net Operating Expenditure			336.4
0.3	H.R.A. Balances Transfer			8.5
1.0	Earmarked Reserves			3.6
0.6	Trading Account Reserves			(4.6)
0.2	Market Reserves			(0.1)
0.4	Contribution from Pension Fund			(7.2)
(12.1)	Contribution from Capital Financing Account			(10.2)
3.5	Capital Expenditure Financed from Revenue			5.5
310.2	Amount to be met from Gov't. Grants & Local Taxpayers			331.9
	<u>Less</u>			
155.2	Revenue Support Grant			157.7
	LABGI / PSA Reward			1.4
73.0	National Non Domestic Rates			87.9
81.0	Council Tax			85.0
1.0	Transfers to / from Collection Fund			0.8
0	Net General Fund (surplus) / deficit for year			(0.9)
(8.0)	Balance on General Fund at beginning of year			(8.0)
(8.0)	Balance on General Fund at end of year			(8.9)
(3.2)	(Balances attributable to schools budgets not included in General Fund Balances)			(4.0)

* 2004/05 figures restated to make them comparable to the 2005/06 disclosures.

Balance Sheet

The Group Balance Sheet is as follows:

	<u>31st March 2006</u>	<u>31st March 2005</u>
	£M	£M
Long Term Assets	1120.1	1,061.9
<u>Current Assets</u>		
Investments	19.0	14.0
Stock & WIP	1.2	1.3
Debtors and Prepayments	59.2	50.2
Cash in hand	3.6	3.8
<u>Current Liabilities</u>		
Temporary Borrowing	(49.0)	(49.6)
Creditors	(54.9)	(49.5)
Cash Overdrawn	(6.0)	(11.7)
Long Term Liabilities	(307.8)	(253.8)
Pension Liabilities	(168.1)	(142.3)
<i>Total Assets less Total Liabilities</i>	<i>617.3</i>	<i>624.3</i>
Fund Balances and Reserves	<i>617.3</i>	<i>624.3</i>

Cash Flow

The Group Cash Flow Statement is set out below:

	31st March 2006		31st March 2005	
	£m	£m	£m	£m
Revenue Activities				
<i>Cash Outflows</i>				
Cash paid to and on behalf of employees	314.8		309.7	
Other Operating Expenditure	264.9		242.8	
Housing Benefit Paid Out	29.4		27.0	
National non-domestic rate payments to pool	66.6		62.4	
Precepts Paid from Collection Fund	12.1	687.8	11.3	653.2
<i>Cash Inflows</i>				
Rents (after rebates)	32.7		32.5	
Council Tax/Community Charge Receipts	81.3		84.4	
Non-Domestic Rates from pool	87.9		73.1	
Non-Domestic Rates collected	67.7		69.3	
Revenue Support Grant	157.5		155.2	
Grants for Council Tax and Housing Benefits	76.5		70.2	
Other Grants and Contributions	111.8		120.1	
Cash Received for Goods, Services Etc	88.8	704.2	73.1	677.9
		(16.4)		(24.7)
Returns on Investments & Servicing of Finance				
<i>Cash Outflows</i>				
Expenditure - Interest Paid		17.6		15.9
<i>Cash Inflows</i>				
Income - Interest and Dividends Received		(4.1)		(2.7)
Revenue Cash Outflow / (Inflow)		(2.9)		(11.5)
Capital Activities				
<i>Cash Outflows</i>				
Purchase of Fixed Assets	88.3		86.2	
Deferred Charges	14.9		12.1	
Remittance to ODPM	12.0	115.2	10.8	109.1
<i>Cash Inflows</i>				
Capital Receipts	(20.3)		(25.7)	
Capital Grants Received	(18.6)		(17.4)	
Other Capital Cash	(29.4)	(68.3)	(15.6)	(58.7)
Net Cash(inflow) / outflow before financing		44.0		38.9
Management of Liquid Resources				
Net increase /(decrease in short term deposits)		5.0		(23.5)
Financing				
<i>Cash Outflows</i>				
Repayment of Amounts Borrowed		182.3		265.6
<i>Cash Inflows</i>				
New Loans Raised		(236.9)		(290.9)
DECREASE IN CASH		(5.6)		(9.9)

Total Movements In Reserves

The movement in Reserves arising from Bolton at Home Ltd's incorporation in group accounts is limited to the £35,000 surplus on the year and the introduction of pension liabilities to comply with FRS17 pension accounting.

	2005/06 £M	2004/05 £M
Surplus/(deficit) for the year:		
- General Fund	0.9	0
- Bolton at Home Ltd	0	0
- Housing Revenue Account	8.3	0.1
Add back Movements on earmarked revenue reserves	(1.1)	2.5
Add Appropriation from pensions reserve	(7.2)	0.4
Actuarial gains and losses relating to pensions	(18.7)	(104.0)
Total increase/(decrease) in revenue resources	(17.8)	(101.0)
Increase/(decrease) in useable capital receipts	1.0	(0.7)
Increase/(decrease) in unapplied capital grants and contributions	(0.4)	(0.1)
Total increase/(decrease) in realised capital resources	0.6	(0.8)
Gains/(losses) on revaluation of fixed assets	18.3	167.7
Impairment losses on fixed assets due to general changes in prices	0	0
Total increase/(decrease) in unrealised value of fixed assets	18.3	167.7
Value of assets sold, disposed of or decommissioned	(26.8)	(20.8)
Capital receipts set aside	8.1	10.4
Revenue resources set aside	-6.2	(3.1)
Movement on Government Grants Deferred	13.8	13.2
Movement on Major Repairs Reserve	3.7	(0.1)
Total increase/(decrease) in amounts set aside to finance capital investment	19.4	20.4
Total recognised gains and losses	(6.3)	65.5

Copies of the Bolton at Home Ltd Annual Report and Financial Statement are available from:
 S.J. Taylor (Company Secretary)
 1-3 The Court Yard
 St Peters Business Park
 Calvin Street, Bolton BL1 8PB

2 Other Interests In Companies

The Authority has an involvement with a number of other companies. They are not controlled by Bolton MBC and do not require inclusion in the group accounts above. The companies and the Council have shared aims. The Council may give or receive financial support and purchase from or sell to the companies.

Batra Bolton Ltd
Bolton Accommodation and Support for Employment Ltd
Bolton Bond Board Ltd.
Bolton Business Centre Ltd.
Bolton Business Ventures Ltd.
Bolton Community Homes Ltd.
Bolton Community Leisure Limited
Bolton Enterprise Centre Ltd
Bolton Literacy Trust
Bolton Middlebrook Leisure Trust Ltd
Bolton Town Centre Ltd
Bolton Wise Ltd
Chamber Business Connections Ltd.
Integrated Transport Smart Card Organisation Ltd.
Merehall (Bolton) Ltd
North West Tourist Board
Octagon Theatre Company Ltd
Smithills Hall and Park Trust Ltd.
Yorkshire Purchasing Organisation

The Council has a minority shareholding in Manchester Airport Group more details are given in the long term investments note to the Balance Sheet.

3 Charities & Trusts

Details of Charities and Trusts where the Council maintains the records within its ledger system are identified on the following page. However the Director of Corporate Resources also acts as Treasurer for a number of Charities with independent accounting systems these are:

Rishton & Seddons Charity
Provincial Insurance Trust
Clarke Convalescent Fund
British Cotton Growing Subscription Local Fund
Turton Chapelton Old school
Turton District Relief Fund
Abigail Cheetham
Humphrey Cheetham & GB Ashworth

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 Summary Revenue Account or Balance Sheet. The trust funds are shown below: -

	<u>Balance at 1st April</u>	<u>Income</u>	<u>Expenditure</u>	<u>Balance at 31st</u>	<u>Represented by</u>		
	<u>2005</u>			<u>March 2006</u>	<u>Cash / Other</u>	<u>External</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>Balances</u>	<u>Investment</u>	<u>£</u>
					<u>£</u>	<u>£</u>	<u>£</u>
<u>Commercial Services</u>							
Red Lion Playing Field Trust	1,998.87	46.85	93.64	1,952.08	1,952.08	0	1,952.08
F. Greenhalgh Prize	80.31	3.57	7.13	76.75	76.75	0	76.75
Topps Trust Fund	21,324.16	947.37	1,893.52	20,378.01	20,378.01	0	20,378.01
War Graves	445.54	20.57	20.96	445.15	445.15	0	445.15
<u>Social Services</u>							
Social Services Bequests	72,308.26	2,557.90	5,734.05	69,132.11	69,132.11	0	69,132.11
General Assistance	46,598.70	1,733.47	0	48,332.17	48,332.17	0	48,332.17
Workshops & Homes for the Elderly	58,713.76	2,184.15	0	60,897.91	60,897.91	0	60,897.91
Blair Sick Fund	8,931.32	444.38	0	9,375.70	7,745.15	1,630.55	9,375.70
Helen Hartley	1,229.68	45.74	0	1,275.42	1,275.42	0	1,275.42
<u>Education</u>							
C. Westhead	635.03	40.43	0	675.46	560.30	115.16	675.46
Leigh Bramwell	19,117.11	1,280.12	960.00	19,437.23	3,987.23	15,450.00	19,437.23
Sister Alice Ingham	713.51	14.84	0	728.35	333.45	394.90	728.35
J. Goodenday	46,820.13	3,034.45	0	49,854.58	48,378.14	1,476.44	49,854.58
McAvoy	1,608.97	85.77	0	1,694.74	1,464.24	230.50	1,694.74
Westhoughton Education Trust	20,241.71	835.26	(3,933.20)	25,010.17	2,954.77	22,055.40	25,010.17
Eagley Bridge	10,094.46	599.06	1,616.25	9,077.27	4,822.27	4,255.00	9,077.27
<u>Environment</u>							
Section 278 Agreement: Highways Works	323,935.01	11,972.65	41,016.57	294,891.09	294,891.09	0	294,891.09
Total	634,796.53	25,846.58	47,408.92	613,234.19	576,626.24	45,607.95	613,234.19

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 authority 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.

APPROPRIATION

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

ASSET MANAGEMENT REVENUE ACCOUNT.

This account compares charges to services for the use of assets with the cost to the Authority of providing those assets. The net effect is shown in the Consolidated Revenue Account

BALANCE SHEET

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

CAPITAL EXPENDITURE OR OUTLAY

Expenditure on the acquisition of a fixed asset or expenditure which enhances the value of an existing fixed asset. It includes loans or grants to 3rd parties that are used for such purposes.

CAPITAL CHARGES

These are charges made to services for the use of assets. They comprise rental calculated by applying a notional interest rate to asset value and a depreciation charge. These charges are credited to the Council's Asset Management Revenue Account.

CAPITAL FINANCING CHARGES

The annual charge to the Consolidated Revenue Account in respect of interest and principal repayments of borrowed money. They include charges from Finance Leases (see below). These amounts are charged to the Council's Asset Management Revenue Account

CAPITAL GRANTS

Grants received towards capital expenditure on a particular service or project.

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.

COLLECTION FUND

A statutory account maintained by the Authority 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 has no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

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.

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.

FIXED ASSETS

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

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 Authority.

HISTORIC COST

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

HOUSING REVENUE ACCOUNT (H.R.A.)

The Housing Revenue Account deals with the provision of Council houses and flats. There is a statutory requirement to keep this account separate from those for other housing activities.

INFRASTRUCTURE ASSETS

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTANGIBLE FIXED 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 depreciated over their anticipated life. Internally developed intangible assets should only be capitalised where there is a readily ascertainable market value.

INVESTMENTS

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments which do not meet the above criteria are classified as current assets.

NATIONAL NON-DOMESTIC RATES(NNDR)

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. The net rates payable, less deductions, are paid to a central pool administered by Central Government.

NON-DISTRIBUTED COSTS

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

NON-OPERATIONAL ASSETS

Fixed assets held by a local authority but not, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

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 fall upon service revenue accounts.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PRECEPT

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

PROVISIONS

Amounts set aside for specific future losses and liabilities that are uncertain in amount and 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. Unallocated reserves arise as unplanned surpluses of income over 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 (R.S.G.)

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.

STOCKS

Stocks 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.

TRUST FUNDS

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