

**BOLTON METROPOLITAN BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS**  
**2004/05**



# **CONTENTS**

<b>FOREWORD BY THE DIRECTOR OF FINANCE</b>	<b>1 - 7</b>
<b>AUDITOR'S REPORT TO BOLTON METROPOLITAN BOROUGH COUNCIL</b>	<b>8</b>
<b>STATEMENT OF ACCOUNTING POLICIES</b>	<b>9 - 12</b>
<b>STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS</b>	<b>13</b>
<b>STATEMENT OF INTERNAL CONTROL</b>	<b>14 - 16</b>
<b>THE CONSOLIDATED REVENUE ACCOUNT</b>	<b>17</b>
<b>NOTES TO THE CONSOLIDATED REVENUE ACCOUNT</b>	<b>18 - 27</b>
<b>HOUSING REVENUE ACCOUNT</b>	<b>28</b>
<b>NOTES TO THE HOUSING REVENUE ACCOUNT</b>	<b>29 - 33</b>
<b>TRADING ACCOUNT STATEMENTS</b>	<b>34</b>
<b>CONSOLIDATED BALANCE SHEET</b>	<b>35</b>
<b>NOTES TO THE CONSOLIDATED BALANCE SHEET</b>	<b>36 - 51</b>
<b>STATEMENT OF TOTAL MOVEMENTS IN RESERVES</b>	<b>52 - 57</b>
<b>COLLECTION FUND</b>	<b>58</b>
<b>NOTES TO THE COLLECTION FUND</b>	<b>59 - 60</b>
<b>CASH FLOW STATEMENT</b>	<b>61</b>
<b>NOTES TO THE CASH FLOW STATEMENT</b>	<b>62 - 63</b>
<b>GROUP ACCOUNTS</b>	<b>64 - 69</b>
<b>TRUST FUNDS</b>	<b>70</b>
<b>GLOSSARY OF TERMS</b>	<b>71 - 72</b>

**APPROVED AT THE MEETING OF THE CONSTITUTIONAL PANEL  
25<sup>th</sup> OCTOBER 2005**

*COUNCILLOR BARBARA RONSON*

*LEADER OF BOLTON METROPOLITAN BOROUGH  
CHAIRMAN OF THE CONSTITUTIONAL PANEL*

*Cover Photograph supplied by  
Ken Jones – Bolton MBC*



**FOREWORD BY THE DIRECTOR OF FINANCE**

**1 Introduction**

This document is the Council's Statement of Accounts for the year ending 31<sup>st</sup> March 2005, 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 and includes details of Trust Funds. General Fund Balances have increased in the year by £18,000 although the budgeted use of balances for the year was £1,400,000.
- *The HRA Account* shows the Council's income and expenditure relating to Council Housing. In the year the account was in surplus by £326,000
- *Trading Account Statement* records the performance of the Council's trading accounts. In the year these showed a net surplus of £50,000 although there is considerable variation between accounts.
- *The Consolidated Balance Sheet* sets out the Council's financial position at the 31st March 2005. 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 £920,000.
- *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, 2004 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:

- In April 2004 Oracle replacements of all existing corporate support (back office) systems went live (with the exception of Payroll). This important project is designed to improve customer service, reduce costs and play a key role in helping the Council achieve the E-Government agenda. The major systems replacement involved a redesign of accounting and control processes. The current year's accounts are the first ones produced in the new environment.
- A change in the valuation basis of pension liabilities has been made following new requirements from CIPFA. By reducing the standard rate of return used in calculating future income on investments the deficit reported has increased. As a change in estimation technique this does not require the adjustment of earlier year figures nor does it have any impact on pension contributions. It will be recalled that pension liabilities are increased for cost reporting purposes but subsequently "reversed" in the Appropriation section of the Consolidated Revenue Account so there is no taxation impact of the cost reporting.
- The new Statement of Recommended Practice (SORP) also requires a strengthening the Group Accounting requirements so that the relationship with related companies is more fully reported. In Bolton's case we have reported the relationships fully in the past, however the section of accounts detailing the impact of Bolton at Home Ltd has been expanded to show Revenue Account and Cash Flow impacts in addition to the Balance Sheet effect.
- The SORP has also made changes in the presentation and disclosures in relation to capital accounting. Intangible assets are now to be identified separately if there is adequate evidence of value and there are additional disclosure requirements as regards leases. These disclosures have been incorporated in the Statement of Accounts.
- In December 2004 the Council was judged to be delivering "Excellent" services to local people for the second year running as part of the Government's Continuous Performance Assessment (CPA) of local authorities.
- In 2004/05 the Council embarked upon a 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 such as providing an integrated Children's service and developing a framework to manage increasingly complex demands being placed on local authorities. The strands of the "Shaping Future Services" programme are: Customer focused service delivery; A corporate view of resources and A corporate view of delivering change.
- In the year the Council has continued to seek innovative solutions including progressing the development of partnership solution to manage property and rationalise the non-operational property estate. A PFI bid has been submitted to

create a “Cultural Quarter” and a range of plans have been prepared with public and private sector partners to address needs around the town centre.

- The Council has responded to the Government’s Gershon efficiency agenda by preparing the Annual Efficiency Statements to timetable and exceeding the targets set.
- 2004/05 is the first year the local authority accounts will be incorporated in Whole Government Accounts. This involves earlier completion of the accounts and additional returns to government including more detail of transactions with other public sector organisations.
- 1<sup>st</sup> April 2004 saw a fundamental change to the system of local authority capital controls. In essence, subject to affordability, the Council may set its own borrowing limits for capital financing. In accounting terms the major changes are: that the HRA is no longer required to make a minimum revenue provision for debt redemption; and, rather than 75% of the product of Council House sales being set aside for debt redemption that amount is now remitted to Government under pooling arrangements.
- 2004/05 is the final year the Council provides the running expenses for Magistrates Courts, from 1<sup>st</sup> April 2005 that responsibility passed to the Department for Constitutional Affairs.

### **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	311.3	309.9	(1.4)
Parish Precepts	0.3	0.3	0
Less			
RSG	(155.2)	(155.2)	0
NNDR	(73.1)	(73.1)	0
Collection Fund	(81.9)	(81.9)	0
<b><i>Movement in Balances</i></b>	<b>1.4</b>	<b>0</b>	<b>(1.4)</b>

The movement from Original Budget to Outturn is as follows:

Service	£000s						Outturn
	Gross Budget	Recharge Adjustment (1)	Budget transfers (2)	Capital Financing Adjustment (3)	Capital Finance Changes & Distributions (4)	Other Changes (5)	
Housing	7,915	1	(39)	(3,992)	4	0	<b>3,889</b>
Environment	5,965	(13)	58	1,236	(52)	(15)	<b>7,179</b>
Highways Partnership	16,907	0	(248)	(1,596)	16	0	<b>15,079</b>
Commercial Services	9,694	219	102	1,012	0	0	<b>11,027</b>
Education	154,884	284	(125)	6,917	0	2	<b>161,962</b>
Culture	13,090	206	(95)	1,488	0	(14)	<b>14,675</b>
Central Departments	12,336	57	609	1,246	155	67	<b>14,470</b>
Social Services	68,579	158	(700)	814	0	(3)	<b>68,848</b>
PTA , Waste Disposal and Land Drainage Precepts	21,307	0	120	0	0	0	<b>21,427</b>
Financial Arrangements	(2,481)	(200)	277	(8,790)	(1,827)	57	<b>(12,964)</b>
Corporate Services	2,007	(712)	(23)	1,665	0	191	<b>3,128</b>
Benefits	1,098	0	64	0	0	0	<b>1,162</b>
<b>Total</b>	<b>311,301</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,704)</b>	<b>285</b>	<b>309,882</b>

#### Notes

- (1) Reflecting transfer of functions (see note 2) plus the reallocation of corporate costs.
- (2) Relates to centralised functions (Accounts Payable & HR Centres of Excellence) plus Supporting People & Procurement budget reallocation
- (3) Changing incidence of capital costs to reflect Accounting Code of Practice requirements
- (4) Higher than anticipated distributions from Manchester Airport plc (£0.55m) & YPO plus a one-off dividend from Modesole Ltd.(£0.3m) Capital Financing savings.(£0.9m) Other changes are reallocation of capital finance.
- (5) Increased costs for Coroners Service, Waste Disposal costs. Members, AGMA.



**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>
Social Services	+0.8	Additional Income to cover specific cost pressures already identified
Education (Excluding Schools)	+1.3	Reflecting actions taken to address previous deficits and earmarking funds for known future purchases.
Schools	-0.2	Use of previously accumulated surpluses to meet financial pressures.
Planning & Environment	-0.2	Funding of one off costs
Finance Department	-1.2	Largely “invest to save” expenditure
Financial Services	+1.0	Largely interest savings earmarked for potential future costs
Commercial Services	+0.3	Net repayment of past advances

## 5 Capital Expenditure

Capital expenditure for the year was £98.5m. In addition £3.1m was channelled through the Council by funding bodies for onward remittance to partner organisations. The Councils own expenditure is made up as follows:-

	<u>£M</u>
Housing	58.9
Education	10.0
Highways	12.7
Economic, Environmental & Planning	2.7
Corporate Issues	5.0
Social Services	2.3
Direct Services	1.8
Culture	1.6
Special Funded Schemes (SRB/ NRF etc. not included above)	1.1
Magistrates (lead district for the whole of Greater Manchester)	2.4
<b>Total</b>	<b>98.5</b>

and this was financed as follows:-

	<u>£M</u>
Borrowing	56.0
Capital Receipts	8.0
External contributions including government grants	20.4
Revenue / Reserves / Creditors	14.1
<b>Total</b>	<b>98.5</b>

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 2004/05 the initial limit was £339m which was subsequently increased when the Government granted additional supported capital for improving the Council Housing stock to £341m. The figure calculated from the 31<sup>st</sup> March 2005 Balance Sheet is £334m 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 31<sup>st</sup> March 2005 a Capital Funding Reserve of £1,846,000 and Usable Capital Receipts of £6,410,000 were held.

**6 Balances**

At 31<sup>st</sup> March 2005 General Fund Reserves stood at £8,026,000.

There is a commitment to provide "bridging finance" from these balances for Bolton Market refurbishment. The amount currently required for this purpose is £1,402,000. Thus, the available General Reserves to protect the Council against unexpected demands are £6,624,000. It should be noted £1,200,000 of this sum has been committed to support the 2005/06 budget as part of the budget strategy.

Stephen M. Arnfield  
Director of Finance  
25<sup>th</sup> October 2005



## **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 assets 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.). 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 at the 31<sup>st</sup> March 1995, and historic cost since that date.

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

### **Deferred Charges / Intangible Assets**

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. Intangible assets are true Council assets (e.g. Software Licences) when purchased such assets would be capitalised at historic cost and depreciated over their anticipated life.

### **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 if required. 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**

Depreciation is provided for on fixed assets with a finite useful life. 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. An exception is made for highways infrastructure assets where depreciation on the hybrid valuation is not felt to provide a measure of the consumption of the asset used.

### **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 except for Administration Buildings where area occupied is used.

### **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.

In 2004/05 the estimation technique for future pension fund liabilities changed on the direction of CIPFA, this results in a major increase in reported pension fund liabilities as outlined in the notes to the Balance Sheet.

### **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.

### **Internal Interest**

Interest earned is credited to the General Fund. The Housing Revenue Account receives a credit from the General Fund to represent interest earned calculated in accordance with the statutory formula.

### **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.

### **The Consolidated Revenue Account**

The service divisions within the consolidated revenue account have been presented in accordance with the service analysis required in the Code of Practice.

### **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 for future expenditure that is not yet contractually committed. Contributions to reserves are an appropriation of funds shown in the Consolidated Revenue Account after the calculation of Net Operating Expenditure.

### **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.

## **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 Finance.
- 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 Finance's Responsibilities**

The Director of Finance 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 Finance 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 Finance 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 31<sup>st</sup> March 2005.

Stephen M Arnfield

*Statement of Accounts 2004/2005*

Director of Finance  
July 18<sup>th</sup> 2005

## **STATEMENT OF 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 2004 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 responsibility 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.

#### **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 Finance Department reporting through the Deputy Director of Finance. 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 2004/05 and 2005/06 to date the following potentially significant internal control issues have been identified:

- The development of partnership working across the authority in recent years had started to create pressures on the authority's Standing Orders as they relate to contracts. As more partnership arrangements are entered into there is a growing need to ensure that standing orders adequately cover the issues that this raises. A review of the current standing orders is to be undertaken along with a process of awareness and training.
- A robust risk management framework has been developed and rolled out across the authority. A maximum score of "4" has been received for this under the CPA process. However there is evidence that in some areas the process is not fully embedded at all levels. Further work is needed in 2005/06 to ensure that the process is working properly across the organisation, this includes training, awareness and communication and work with partner agencies around their risk management processes.
- The authority does not currently have a formal Audit Committee. It is thought that now is an appropriate time to establish a formal member group to be responsible for audit and governance issues.

Signed:

**Leader of the Council**

**Chief Executive**

## THE CONSOLIDATED REVENUE ACCOUNT

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.

2003/04 Net Expenditure £'000s		2004/05		
		Gross Expenditure £'000s	Gross Income £'000s	Net Expenditure £'000s
	<b><u>Continuing Services</u></b>			
145,226	Education	218,115	58,710	159,405
60,777	Social Services	120,147	51,244	68,903
26,283	Highways and Transport	40,803	13,756	27,047
21,449	Environment & Planning	40,560	15,606	24,954
16,576	Culture	26,419	7,444	18,975
(5,997)	Housing Revenue Account	52,300	46,885	5,415
5,631	Other Housing Services	86,767	82,924	3,843
3,405	Central Services to the Public	13,272	9,474	3,798
296	Coroner	946	641	305
6,035	Corporate & Democratic Core	7,649	1,662	5,987
6,548	Non Distributed Costs	30,081	20,658	9,423
<b>286,229</b>	<b>Net cost of continuing Services</b>	<b>637,059</b>	<b>309,004</b>	<b>328,055</b>
779	Discontinued Services - Magistrates	30,042	28,794	1,248
<b>287,008</b>	<b>Net Cost of Services</b>	<b>667,101</b>	<b>337,798</b>	<b>329,303</b>
285	Parish Precepts			291
(205)	Trading Account Gross (Surplus) / Deficit			(550)
(676)	Market Surplus			(191)
2,500	Pension Interest Cost and expected return on Pension assets			(4,800)
(1,459)	Interest & Dividends received			(2,985)
(4,142)	Transfer from AMRA			(16,350)
<b>283,311</b>	<b>Net Operating Expenditure</b>			<b>304,718</b>
1,199	H.R.A. Balances Transfer			326
1,498	Earmarked Reserves			973
(17)	Trading Account Reserves			550
230	Market Reserves			233
(5,300)	Contribution from Pension Fund			(100)
12,790	Capital Expenditure Financed from Revenue			3,474
<b>293,711</b>	<b>Amount to be met from Gov't. Grants &amp; Local Taxpayers</b>			<b>310,174</b>
	<u>Less</u>			
138,722	Revenue Support Grant			155,206
76,508	National Non Domestic Rates			73,063
78,030	Council Tax			80,973
750	Transfers to / from Collection Fund			950
<b>(299)</b>	<b>Net General Fund (surplus) / deficit for year</b>			<b>(18)</b>
(7,709)	<i>Balance on General Fund at beginning of year</i>			(8,008)
(8,008)	<i>Balance on General Fund at end of year</i>			(8,026)
(3,415)	(Balances attributable to schools budgets not included in General Fund Balances)			(3,223)

Stephen M Arnfield  
Director of Finance  
18<sup>th</sup> July 2005

## **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 Direct 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 Markets**

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:

	<b>2004/05 £'000s</b>	<b>2003/04 £'000s</b>
Income	(3,479)	(3,294)
Expenditure	2,782	2,618
Surplus for Year	(697)	(676)
<i>Less :-</i>		
Asset Rental	506	501
<b><i>Total Markets Contribution to Revenue/General Fund</i></b>	<b><i>(191)</i></b>	<b><i>(175)</i></b>

### **3 Challenge Funds**

The Authority has a number of special Government Funded schemes in operation. Each programme has different delivery mechanisms but all are based on a structure of partnership with local public and private sector organisations and community representatives. Bolton MBC is the accountable body in respect of claiming and accounting for grant and liaison with Central Government offices. At the beginning of the year approximately £27m Challenge Funded schemes were identified covering:

- Neighbourhood Renewal Fund
- Sure Start
- Single Regeneration Budget
- Behavioural Improvement Programme
- National Lottery / New Opportunities Fund
- Childrens Fund
- Great Lever Neighbourhood Management Partnership

- Building Safer Communities
- Connexions / Positive Action Young People
- Childrens Centres
- PSA
- Drugs Intervention Programme
- European Action Plan

**4 Agency Work**

The Council undertakes the following agency work for which it received £30,000 of income in 2004/05:

<u>Agency</u>	<u>Nature of Work</u>	<b>2004/05 £'000s</b>	<b>2003/04 £'000s</b>
North West Water	Sewer Maintenance	0	12
Community Support Development Centre	Admin. Support	30	39
<b>Total</b>		<b>30</b>	<b>51</b>

**5 Publicity Memorandum Account**

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

	<b>2004/05 £'000s</b>	<b>2003/04 £'000s</b>
Recruitment Advertising	1,093	892
Other Publicity	409	207
Other Advertising	823	650
<b>Total</b>	<b>2,325</b>	<b>1,749</b>

**6 Section 33 Expenditure**

Under Section 33 of the Local Government and Housing Act 1989, the Council is given a specific power to incur expenditure on promoting the economic development of its area. Using this power, loans are given at a rate of interest below market rate. Currently, the Authority has one loan outstanding.



**7 Local Authority (Goods and Services) Act 1970**

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 2004/05 the major areas of activity under this power were:

	<b>2004/05 £'000s</b>	<b>2003/04 £'000s</b>
Building Control Partnership	14	0
Payroll / Personnel/ Committee Services	41	9
Disabled Tele-communication Support	47	85
Recreational Goods & Services	0	10
Neighbourhood Dispute Service	22	39
Financial Services	117	175
Commercial Services	977	172
<b>Total</b>	<b>1,218</b>	<b>490</b>

The bodies for whom work was carried out are:

	<b>2004/05 £'000s</b>	<b>2003/04 £'000s</b>
Housing Associations	47	65
Other Local Authorities	43	183
Other Public Sector Bodies	1,038	117
BASE	11	7
Government Offices North West	11	42
Colleges & Schools	41	42
Bolton Community Leisure	5	11
North West Museums	22	23
<b>Total</b>	<b>1,218</b>	<b>490</b>

**8 Leasing Information**

In 2004/05 the value of leasing arrangements was as follows: -

	Finance £'000s	Operational £'000s
Rental Paid to Lessor in 2004/05	23	775
Estimated Commitment Outstanding at 31st March 2005	46	1,234

## 9 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	2004/05 £'000s	2003/04 £'000s
<b>Net Cost of Services:</b>		
Current Service Cost	17,700	13,700
Past Service costs	500	300
Curtailement costs	600	400
<b>Net Operating Expenditure:</b>		
Interest cost	26,700	27,600
Expected return on assets in the scheme	(31,500)	(25,100)
Amounts to be met from Government Grants and Local Taxation:		
Movement on pension reserve	(100)	(5,300)
<b>Actual amount charged against council tax for employer's contributions payable in the scheme.</b>	<b>13,900</b>	<b>11,600</b>

Note 23 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 7 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. (eg the expected return on investments)

*Statement of Accounts 2004/2005*

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

	<b>2004/05</b>	<b>2003/04</b>
Percentage Contributed (%)	13.5	13.5
Amount Contributed (£'000s)	10,937	10,605

The estimated future cost of discretionary pension payments at 31<sup>st</sup> March 2005 was £31,700,000 (£28,500,000 at 31<sup>st</sup> March 2004).

**10. Transactions with Related Parties**

<b>Contributions, Grants &amp; Other Receipts</b>		<b>2004/05</b>	<b>2003/04</b>
<b>Related Party</b>	<b>Description of Transaction</b>	<b>£'000s</b>	<b>£'000s</b>
Other Local Authorities	Educational Services	667	754
	Environmental Services	669	0
	Social Services	110	65
	Corporate - Magistrates	4,760	4,321
	Corporate - Other	101	101
Partnership Bodies	ESF		240
	Strategic Management	1,796	2,230
Health Authority	Joint Working Arrangements	7,437	7,217
DFES	Sure Start	2,971	2,765
Levies from Authorities	Coroner	601	606
	Probation Service	38	39
<b>Sub Total re: Income Rec'd from 3<sup>rd</sup> Parties</b>		<b>19,150</b>	<b>18,338</b>

<b>Payments Made</b>		<b>2004/05</b>	<b>2003/04</b>
<b>Related Party</b>	<b>Description of Transaction</b>	<b>£'000s</b>	<b>£'000s</b>
Other Local Authorities:-	Educational Services	604	600
	Social Services	133	228
Members	Allowances	717	757
Partnership Bodies	SRB		3,343
Precepting Authorities	Police	7,902	7,298
	Fire & Civil Defence	3,422	3,186
	Parishes	291	285
Levies from Authorities	Transport Board Levy	11,823	11,498
	Waste Disposal Authority	9,488	8,907
	Land Drainage Precept	97	1,057
	S48	359	355
	Urban Traffic Control	553	378
	County Records	24	24
	NW Regional Chamber	24	24
	AGMA Secretariat	103	36
<b>Total re: Payments Made</b>		<b>35,540</b>	<b>37,976</b>

The Chief Executive (Mr B. Knight) and the Director of Education & Culture (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.

The Director of Environment Department (Mr R Jefferson) is honorary Chairman of a local charity (Life Education, Bolton Local Operating Group) which supplies health education support to Bolton primary schools for which a fee is charged to the schools taking the service. The fee is subsidised by the Life Education charity.

One 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 £264,000 in 2004/05 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 £752,000 in the Council's accounts.

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.

**11. Remuneration of Employees**

In 2004/05 the numbers of employees earning more than £50,000 were as follows:

	<u>Teachers</u>		<u>Magistrates' Staff</u>		<u>Other Staff</u>	
	<b>2004/05 (Estimated)</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2003/04</b>
£50,000 - £59,999	27	21	18	10	3	20
£60,000 - £69,999	8	6	5	2	22	9
£70,000 - £79,999	4	1	0	1	7	2
£80,000 - £89,999	1	1	0	0	2	5
£90,000 - £99,999	1	0	0	0	6	1
£100,000- £109,999	0	0	0	1	0	0
£110,000- £119,999	0	0	0	0	0	0
£120,000- £129,999	0	0	0	0	1	1

12. Asset Management Revenue Account

	2004/05		2003/04	
	£'000s	£'000s	£'000s	£'000s
<u>Income</u>				
Asset Rentals Charged to Services	41,327		40,010	
Grants Deferred	1,499		1,275	
		42,826		41,285
<u>Expenditure</u>				
Interest Charges	19,371		17,660	
Provision for Debt Repayment	5,867		5,422	
Leasing Costs	23		23	
Other*	1,215	26,476	14,038	37,143
<b>Surplus</b>		<b>16,350</b>		<b>4,142</b>

\* In 2004/05 Other is largely the transfer of grants deferred to the Capital Financing Account. In 2003/04 General Fund Depreciation was shown as a charge against this account. This practice has been changed to better accord with the Code of Accounting Practice.

13. Building Control Trading Account

<b>Building Control Trading Account</b>						
	Chargeable £'000s		Non Chargeable £'000s		Total Building Control £'000s	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
<u>Expenditure:</u>						
Employee Expenses	299	297	299	297	598	594
Premises	16	0	16	0	32	0
Transport	13	10	13	10	26	20
Supplies & Services	32	27	32	27	64	54
Central & Support Service Charges	37	58	37	58	74	116
<b>Total Expenditure</b>	<b>397</b>	<b>392</b>	<b>397</b>	<b>392</b>	<b>794</b>	<b>784</b>
<u>Income:</u>						
Building Regulation Charges	540	615	0	0	540	615
Miscellaneous Income	0	0	19	22	19	22
<b>Total Income</b>	<b>540</b>	<b>615</b>	<b>19</b>	<b>22</b>	<b>559</b>	<b>637</b>
<b>(Surplus) / Deficit for Year</b>	<b>(143)</b>	<b>(223)</b>	<b>378</b>	<b>370</b>	<b>235</b>	<b>147</b>

**14. Amounts Charged for External Loan Finance**

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

	<b>2004/05</b> <b>£'000s</b>	<b>2003/04</b> <b>£'000s</b>
Balance at Beginning of Year	267,669	239,384
Advances in Year	55,965	44,492
<u>Repayments in Year:</u>		
Minimum Revenue Provision	7,939	6,979
Commutation Adjustment		(1,115)
Capital	87	10,150
Other (largely repayments by 3rd parties)	213	193
<b><i>Balance at End of Year</i></b>	<b><i>315,395</i></b>	<b><i>267,669</i></b>

**15. Audit Fees**

The following summarises the audit fees paid:

	<b>2004/05</b> <b>£'000s</b>	<b>2003/04</b> <b>£'000s</b>
Fees payable to the Audit Commission 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	202	195
Fees payable to the Audit Commission in respect of statutory inspection under Section 10 of the Local Government Act 1989	18	55
Fees payable to the Audit Commission for the certification of grant claims and returns by the appointed auditor under Section 28 of the Audit Commission Act 1998	151	147
Fees payable in respect of any other services provided by the appointed auditor	4	8

**16. 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.

<b>Adults with Learning Disabilities</b>		
	<b>2004/05</b>	<b>2003/04</b>
	<b>£'000s</b>	<b>£'000s</b>
Bolton Primary Care Trust Funding	(53)	(104)
<u>Expenditure:</u>		
Support for Carers	31	13
Employment Strategy	0	4
Modernising Day Services - ICT	22	13
Valuing People Implementation Officer	37	36
Falcon View – works	0	7
Advocacy	30	0
Partnership Board	4	3
<b>Net (Underspend)/Overspend</b>	<b>71</b>	<b>(28)</b>

<b>Integrated Community Equipment Store</b>		
	<b>2004/05</b>	<b>2003/04</b>
	<b>£'000s</b>	<b>£'000s</b>
<u>Income:</u>		
Bolton Primary Care Trust Funding	(171)	0
Bolton MBC	(747)	
<u>Expenditure:</u>		
Employees	150	0
Premises	80	0
Transport	30	0
Equipment	649	0
<b>Net (Underspend)/Overspend</b>	<b>(9)</b>	<b>0</b>



**HOUSING REVENUE ACCOUNT (HRA)**

	<u>2004/05</u> <u>£'000s</u>	<u>2003/04</u> <u>£'000s</u>
<i>Expenditure</i>		
Repairs and Maintenance (Note 2)	10,660	11,224
Supervision and Management	14,630	12,913
Management and Maintenance	25,290	24,137
Bad Debt Provision (Note 5)	435	1,188
Rents, rates taxes and other charges	337	509
Housing Benefit payments (Note 13)	339	24,685
Cost of Capital (Note 3)	15,696	11,668
Depreciation (Note 12)	10,132	7,296
<b>Total Expenditure</b>	<b>52,229</b>	<b>69,483</b>
<i>Income</i>		
Dwellings (Note 1)	42,491	42,583
Non-Dwelling	158	171
Gross Rental Income	42,649	42,754
HRA Defects Act	13	13
NRF & other grants	118	143
HRA Subsidy Receivable (Note 6)	3,858	27,097
Contribution from General Fund (Note 7)	513	498
Charges for Services and Facilities	247	108
<b>Total Income</b>	<b>47,398</b>	<b>70,613</b>
<b>Net Cost of Services</b>	<b>4,831</b>	<b>(1,130)</b>
Transfer from Asset Management Revenue Account (Note 4)	(8,029)	(5,669)
Amortised Premiums and Discounts	(71)	(2)
Interest Received	(299)	(50)
<b>Net Operating Expenditure/(Income)</b>	<b>(3,568)</b>	<b>(6,851)</b>
<i>Appropriations</i>		
Transfer to Major repairs Account ( see note 11 )	742	3,476
Capital Repayment	2,500	
Minimum Revenue Provision *		2,176
	3,242	5,652
<b>Housing Revenue Account Balance</b>	<b>(326)</b>	<b>(1,199)</b>
<b>(Surplus)/Deficit at Beginning of Year</b>	<b>(1,895)</b>	<b>(696)</b>
<b>(Surplus)/Deficit at End of Year</b>	<b>(2,221)</b>	<b>(1,895)</b>

\* 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 19,266 dwellings at 31<sup>st</sup> March 2005 which are analysed below:

	At 31 <sup>st</sup> March 2005	At 31 <sup>st</sup> March 2004
Houses and Bungalows	13,013	13,749
Low Rise Flats and Maisonettes	4,867	4,915
Medium Rise Flats and Maisonettes	1,100	1,139
High Rise Flats and Maisonettes	285	266
Shared Ownership	1	1
	19,266	20,070

### 2. **Housing Repairs Account**

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

	2004/05 £'000s	2003/04 £'000s
Balance at Beginning of Year	0	0
Add		
Revenue Contribution	10,232	10,506
	10,232	10,506
Less: Expenditure in the Year		
Responsive Repairs	10,232	10,506
Planned Maintenance	0	0
To Revenue	0	0
	0	0
Balance at End of Year	0	0

Other maintenance work totalling £428,000 has been undertaken in the year but not funded through the repairs account, giving an overall total of £10,660,000.

### 3. **Cost of Capital**

This includes an asset rental of £15,609,000 which is 3.5% of the valuation of operational assets at 1st April 2004. 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 £87,000

**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.

	<b>2004/05 £'000s</b>	<b>2003/04 £'000s</b>
Notional interest charge (asset rental)	(15,609)	(11,625)
Grants Deferred written out	(20)	
Statutory Interest Charge	7,600	5,956
Transfer from the Asset Management Revenue Account	(8,029)	(5,669)

**5. Rent Arrears**

Rent arrears as a proportion of gross rent income were 7.6% at 31<sup>st</sup> March 2005, compared with 7.4% at 31<sup>st</sup> March 2004.

	<b>At 31<sup>st</sup> March 2005 £'000s</b>	<b>At 31<sup>st</sup> March 2004 £'000s</b>
Current Tenants	1,383	1,311
Former Tenants	1,849	1,814
Non HRA rent arrears	119	66
Total Arrears at 31 March	3,351	3191

The total provision for uncollectable debts at 31<sup>st</sup> March 2005 was £2,146,440. The provision at 31<sup>st</sup> March 2004 was £2,004,543.07.

**6. Housing Revenue Account Subsidy**

The subsidy due for the year is detailed below:

	<b>At 31<sup>st</sup> March 2005 £'000s</b>	<b>At 31<sup>st</sup> March 2004 £'000s</b>
Management and Maintenance Allowance	24,752	20,921
Charges for Capital	7,462	9,756
Rent Rebates		25,085
Major Repairs Allowance (see also note 12)	10,874	10,773
ALMO revenue subsidy	4,238	2,620
Anti Social Behaviour Allowance	1	
	47,327	69,155
Rent	(43,548)	(42,060)
Interest on Receipts	(9)	(14)
	3,770	27,081
Prior Year Adjustment	88	16
Total Subsidy Due for the Year	3,858	27,097

**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 <sup>st</sup> March 2005 £'000s	At 31 <sup>st</sup> March 2004 £'000s
<b>Operational Assets</b>		
Dwellings	601,101	442,347
Buildings	3,449	2,542
	604,550	444,889
<b>Non Operational</b>		
Equipment	969	904
Land	286	286
<b>Total</b>	<b>605,805</b>	<b>446,079</b>

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 31<sup>st</sup> March 2004 is £986.13m compared to £731.48m as at 31<sup>st</sup> March 2003. 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 2004/05**

Capital expenditure for the year totalled £50,988m and has been financed as follows:

	2004/05 £'000s	2003/04 £'000s
Loans	34,000	21,000
Major Repairs Allowance (See also note 12)	10,960	10,000
Capital Receipts	2,300	867
Grants	264	269
Revenue	2,500	0
Change in Capital Creditors	964	445
<b>Total Capital Expenditure</b>	<b>50,988</b>	<b>32,581</b>

Capital Expenditure was incurred over the following assets

	2004/05 £'000s	2003/04 £'000s
Council Housing	49,661	32,204
Non operational Assets	1,031	377
Equipment	296	
<b>Total Capital Expenditure</b>	<b>50,988</b>	<b>32,581</b>

**10. Capital Receipts 2004/05**

The following receipts were received in the year:

	<b>2004/05</b> <b>£'000s</b>	<b>2003/04</b> <b>£'000s</b>
Sale of Dwellings	20,184	12,775
Sale of Land	0	0
<b>Total Capital Receipts</b>	<b>20,184</b>	<b>12,775</b>

The asset value of the dwellings sold in 2004/05 was £20,275,000

**11. Major Repairs Account**

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

	<b>2004/05</b> <b>£'000s</b>	<b>2003/04</b> <b>£'000s</b>
Balance at Beginning of Year	835	80
Add: depreciation charged to HRA (see Note 12)	10,132	
Add: Difference between Major Repairs allowance and depreciation charged to revenue	742	10,773
	11,709	10,853
Less: Expenditure in the Year		
Contribution to capital programme	10,960	10,000
Balance at End of Year	749	853

At year end, the depreciation charge was lower than forecast. Government rules require that the difference between the depreciation charges (£10.132m) and the Major Repairs Allowance (£10.874m) is transferred to the Major Repairs Reserve in order to ensure it is used to fund capital works. Therefore the lower 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.

	<b>2004/05</b> <b>£'000s</b>	<b>2003/04</b> <b>£'000s</b>
Operational Assets : dwellings	9,829	7,236
Operational Assets : other land & buildings	71	60
	9,900	7,296
Equipment	232	0
Non Operational Assets	0	0
<b>Total Depreciation Charged</b>	<b>10,132</b>	<b>7,296</b>

The depreciation policy remains the same as that used in 2003/04.

- 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 2004/05 the value of the transfer from the HRA to the General Fund is £339,000.

**TRADING ACCOUNT STATEMENTS****Summary Revenue Account**

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

Activity	2004/05			2003/04
	Income	Expenditure	(Surplus) / Deficit	(Surplus) / Deficit
	£'000s	£'000s	£'000s	£'000s
Security & Response	1,604	1,708	104	0
Schools and Welfare Catering	6,135	6,104	(31)	(75)
Fleet Management	8,378	8,156	(222)	(226)
Building Cleaning	3,351	3,402	51	126
Property Consultancy	3,362	3,415	53	17
Legal	1,406	1,544	138	0
Other Catering				(16)
Building Control	539	398	(141)	0
Images	613	611	(2)	(31)
<b><i>(Surplus) Deficit</i></b>	<b>25,388</b>	<b>25,338</b>	<b>(50)</b>	<b>(205)</b>

**CONSOLIDATED BALANCE SHEET**

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

	Notes	31 <sup>st</sup> March 2005		31 <sup>st</sup> March 2004	
		£'000s	£'000s	£'000s	£'000s
<b>Fixed Assets</b>	<b>1</b>				
Intangible Assets		55		0	
Operational Assets					
Council Dwellings		601,146		442,347	
Operational Property		325,624		283,127	
Infrastructure		51,256		43,540	
Vehicles, Plant, Furniture & Equip.		7,879		6,571	
Community Assets		8,239		7,109	
Work In Progress		832		708	
Non-Operational Assets		45,720	1,040,751	42,946	826,348
Long Term Investments	<b>2</b>		10,215		10,215
Long Term Debtors	<b>3</b>		10,979		11,011
Total Long Term Assets			1,061,945		847,574
<b>Current Assets</b>					
Stocks	<b>4</b>	924		1,013	
Debtors	<b>5</b>	45,798		66,636	
Prepayments		4,866		6,699	
Short Term Investments		14,000		37,500	
Cash & Bank		3,647	69,235	2,624	114,472
<b>Less Current Liabilities</b>					
Creditors	<b>6</b>	49,497		65,098	
Temporary Borrowing		49,600		79,290	
Bank Overdraft		11,688	110,785	20,954	165,342
<b>Net Current Assets/Liabilities</b>			<b>(41,550)</b>		<b>(50,870)</b>
<b>Total Assets Less Current Liabilities</b>			<b>1,020,395</b>		<b>796,704</b>
Long Term Borrowing	<b>7</b>		228,845		173,845
Deferred Liabilities	<b>8</b>		14,111		14,283
Provisions	<b>10</b>		10,833		10,355
Liability related to defined pension scheme	<b>23</b>		131,400		43,000
<b>Total Assets Less Total Liabilities</b>			<b>635,206</b>		<b>555,221</b>
<b>Fund Balances &amp; Reserves</b>					
Capital Grants Unapplied	<b>11</b>		1,017		1,192
Capital Grants Deferred	<b>12</b>		32,774		19,561
Capital Receipts Unapplied	<b>13</b>		6,371		7,106
Fixed Asset Restatement Account	<b>14</b>		486,686		339,806
Deferred Capital Credits	<b>9</b>		1,420		2,114
Capital Financing Account	<b>15</b>		208,217		200,941
Pensions Reserve	<b>23</b>		(131,400)		(43,000)
Major Repairs Reserve	<b>16</b>		749		853
Reserves & Revenue Balances	<b>16</b>		29,372		26,648
			<b>635,206</b>		<b>555,221</b>

Stephen M. Arnfield  
Director of Finance  
25<sup>th</sup> October 2005



## **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.

Council Dwellings were valued by the North West District Valuer in November 2004.

- **Operational Property**

Is valued by qualified valuers employed by the Authority.

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

- **Non-Operational Property**

Is included at market value as assessed by qualified valuers.

Valuations were provided by the Authority's in-house valuers led by S.A. Knight M.R.I.C.S. - Assistant Director of Central Services (Corporate Property).

In line with Operational Property, revaluations are planned in a four-year rolling programme, and any material changes to asset valuations are again 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.

Operational Property valuations include an amount of £7.548m for two Foundation schools at 31<sup>st</sup> March 2005. This is consistent with the treatment in previous years, although CIPFA guidance concerning the inclusion of Foundation School values is under review.

1.2 Movements in Fixed Assets

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

<b>Fixed Assets</b>	<b>Net Book Value 1<sup>st</sup> April 2004</b>	<b>Acquired 2004/05</b>	<b>Disposals 2004/05</b>	<b>Revalued in Year</b>	<b>Depreciation In Year</b>	<b>Writeouts &amp; PYA's</b>	<b>Net Book Value 31<sup>st</sup> March 2005</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
Intangible	0	55	0	0	0	0	55
Council Dwellings	442,347	49,660	(20,275)	139,471	(9,828)	(229)	601,146
Operational Property	283,127	16,894	(509)	12,984	(6,265)	19,393	325,624
Community Assets	7,109	967	0	163	0	0	8,239
Infrastructure	43,540	13,737	0	(6,012)	(9)	0	51,256
Vehicles, Plant, etc.	6,571	2,846	0	0	(969)	(569)	7,879
Work in progress	708	832	(708)	0	0	0	832
Non – Operational Property	42,946	1,400	0	3,088	(1,692)	(22)	45,720
<b>Total</b>	<b>826,348</b>	<b>86,391</b>	<b>(21,492)</b>	<b>149,694</b>	<b>(18,763)</b>	<b>18,573</b>	<b>1,040,751</b>

<b>Analysis of Opening Balance</b>	<b>Gross Book Value 1<sup>st</sup> April 2004</b>	<b>Cumulative Depreciation</b>	<b>Net Book Value 1<sup>st</sup> April 2004</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
Council Dwellings	449,582	7,235	442,347
Operational Property	297,459	14,332	283,127
Community Assets	7,109	0	7,109
Infrastructure	43,585	45	43,540
Vehicles, Plant, etc.	10,514	3,943	6,571
Work in progress	708	0	708
Non – Operational Property	42,980	34	42,946
<b>Total</b>	<b>851,937</b>	<b>25,589</b>	<b>826,348</b>

1.3 Depreciation and Impairment

All assets with a finite life are subject to a depreciation charge. 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.

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. No impairment has been identified in 2004/05.

#### 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	
	2004/05 £'000s	2003/04	2004/05 £'000s	2003/04	2004/05 £'000s	2003/04	2004/05 £'000s	2003/04
Loans	49,734	36,388	6,177	8,105	54	0	55,965	44,493
Capital Receipts	6,141	2,989	1,896	378	0	0	8,037	3,367
Grants	16,502	11,411	3,920	5,283	0	0	20,422	16,694
Revenue (includes Major Repairs Allowance)	14,163	12,400	50	105	0	0	14,213	12,505
Reserves	122	287		15	0	0	122	302
External Financing	672	1,822	29	71	0	0	701	1,893
Changes in creditors and under financing	(943)	2,404	(17)	155	0	0	(960)	2,559
<b>Total Capital Expenditure</b>	<b>86,391</b>	<b>67,701</b>	<b>12,055</b>	<b>14,112</b>	<b>54</b>	<b>0</b>	<b>98,500</b>	<b>81,813</b>

#### 1.5 Profile of Fixed Assets Held

An analysis of major fixed assets is given below (previous years' figures in brackets):

##### Buildings

##### Education

5	(5)	Nursery Schools
54	(54)	Community Primary Schools
1	(1)	Foundation Primary School
9	(9)	Community Secondary Schools
1	(1)	Foundation Secondary School
6	(6)	Community Special Schools
2	(2)	Community Education Establishments
7	(7)	Youth Clubs

##### Culture

2	(2)	Leisure Centres
2	(2)	Other Dual Purpose Leisure Centres
8	(8)	Community Centres
2	(2)	Play Leadership Centres
1	(1)	Land awaiting disposal
13	(13)	Libraries
1	(1)	Museum

**Management and Finance**

10	(10)	Farms
145	(146)	Offices / Shops / Commercial Premises
3,265	(3,265)	Residential Ground Rents
659	(659)	Garage Sites
3	(4)	Buildings awaiting disposal
12	(12)	Admin Buildings

**Social Services**

8	(8)	Children's Resource and Family Centres
4	(4)	Sure Start Centres
10	(10)	Elderly Persons Homes/ Day Centres for the Elderly
11	(11)	Day Centres for Physically and Mentally Handicapped
4	(4)	Administration Buildings

**Commercial Services**

1	(1)	Market Hall and Car Park
4	(4)	Markets
3	(3)	Depots
1	(1)	Printing Works
8	(8)	Cemeteries
1	(1)	Crematorium
1	(1)	Salt Barn

**Housing**

13	(13)	Community Centres
1	(1)	Property shops
1	(1)	Furniture Store
14	(14)	Estate Offices
2	(2)	Administration Buildings
1	(1)	Depot

**Council Dwellings**

**H.R.A.**

13,013	(13,749)	Houses and Bungalows
6,252	(6,320)	Flats (Including Maisonettes)
1	(1)	Shared Ownership houses

**Other**

35	(35)	Houses and Bungalows
1	(1)	Hostel
2	(2)	Flats

**Infrastructure**

101 km (101km)	Principal Roads
96 km (94 km)	Classified, Non - Principal Roads
823 km (987 km)	Unclassified Roads and footpaths

80	(80)	Car Parks
1	(1)	Caravan Site

**Vehicles, Plant and Equipment**

*Various Items*

**2. Long Term Investments**

The following table identifies the long-term investments held as at 31<sup>st</sup> March 2005: -

<b>Investment - Shares</b>	<b>31<sup>st</sup> March 2005 £'000s</b>	<b>31<sup>st</sup> March 2004 £'000s</b>
Manchester Airport Group P.L.C.	10,214	10,214
Modesole Ltd. Shares	1	1
<b>Total</b>	<b>10,215</b>	<b>10,215</b>

The Council holds significant 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 £825,000. The company's most recent accounts for the year ending 31<sup>st</sup> March 2005 indicated the company had net assets of £939.2m (£885.7m the previous year) and made a profit of £42.2m after taxation (£35.5m 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

- 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 is 100% owned by the ten districts. Bolton's shareholding in Modesole Ltd is 1,016 £1 shares, which represents approximately 10% of the company and its liability is limited to the extent of this shareholding. Shares were distributed to the districts pro-rata to the population of each at the date of transfer from the Greater Manchester County Council (GMC) on 1st April 1986. These mechanisms arise from the GMC initiative to redevelop the area of land around the G-Mex site, which the ten districts inherited in April 1986 on the abolition of the GMC. G-Mex Ltd is 52% owned by Modesole Ltd.

In Modesole's accounting year ended 30th September 2004, the pre-audit accounts show the company achieved a profit on ordinary activities after tax of £6.854m (previous year profit of £1.549m). The company had net assets at 30th September 2004 of £4.155m (£1.861m at 30th September 2003)..

Further information and details of the financial statements of Modesole may be obtained from the company secretary:

W J Lawley  
Company Secretary  
Borough Solicitor  
PO Box 15, Town Hall  
Rochdale. OL16 1AB

**3. Long Term Debtors**

	<b>31<sup>st</sup> March 2005</b>	<b>31<sup>st</sup> March 2004</b>
	<b>£'000s</b>	<b>£'000s</b>
Advances to Manchester Airport PLC	9,524	9,737
Mortgages	162	192
Turton School Governors	19	24
Tennis Arena Trust	1,161	948
Industrial Loans	109	110
<b>Total</b>	<b>10,975</b>	<b>11,011</b>

**4. Stocks**

	<b>31<sup>st</sup> March 2005</b>	<b>31<sup>st</sup> March 2004</b>
	<b>£'000s</b>	<b>£'000s</b>
Stocks	924	1,013
	<b>924</b>	<b>1,013</b>

**5. Debtors**

The debtors can be analysed as follows:

	<b>31<sup>st</sup> March 2005</b>	<b>31<sup>st</sup> March 2004</b>
	<b>£'000s</b>	<b>£'000s</b>
Council Tax	8,550	8,096
Community Charge / Poll Tax	439	439
Business Rates	3,600	6,191
Council House Rents	3,349	3,191
Central Government and Other Non-Departmental Government Bodies	5,747	9,203
H.M. Customs & Excise / Inland Revenue	4,605	4,627
Mortgages	33	60
Other Local Authorities	1,623	798
Car Purchase Schemes	184	360
System Debtors	14,914	13,035
Sundry Debtors	11,458	29,549
Capital Debtors	3,508	2,210
Sub Total	58,010	77,759
Less: Provision for Bad Debts	(12,212)	(11,123)
<b>Total</b>	<b>45,798</b>	<b>66,636</b>

**6 Creditors**

The outstanding creditors on 31<sup>st</sup> March in the respective years are:

	<b>31<sup>st</sup> March 2005 £'000s</b>	<b>31<sup>st</sup> March 2004 £'000s</b>
National Insurance	5,465	6,411
Superannuation	1,755	0
Other Local Authorities	542	711
Central Government Department	10,869	2,849
Capital Creditors	7,776	5,964
Sundry Creditors	19,788	30,555
System Creditors	3,302	18,608
<b>Total</b>	<b>49,497</b>	<b>65,098</b>

**7. Long Term Borrowing**

Source of Loan	Interest Rates  %	Total Outstanding 31 <sup>st</sup> March	
		2004/05 £'000s	2003/04 £'000s
Public Works Loans Board	2.5 to 13.75	176,594	179,653
Bonds	3.85 to 12.125	52,250	52,250
Mortgages	3.333	1	1
<b>Total Borrowing</b>		<b>228,845</b>	<b>231,904</b>
Less: Due Within 12 Months on Demand		(861)	(58,059)
		<b>227,984</b>	<b>173,845</b>
An Analysis of Loans by Maturity at 31 <sup>st</sup> March :-			
Amounts of Principal to be Repaid			
In 1 to 2 Years		622	861
In 2 to 5 Years		11,060	8,371
In 5 to 10 Years		9,243	11,737
After 10 Years		207,059	152,876
		<b>227,984</b>	<b>173,845</b>

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

	<b>2004/05 £'000s</b>	<b>2003/04 £'000s</b>
Within 1 Year	271	57,500
1 - 2 Years	50	272
2 - 5 Years	9,670	6,919
5 - 10 Years	8,137	10,750
After 10 Years	210,716	156,463
<b>Total Borrowing</b>	<b>228,844</b>	<b>231,904</b>

**8. Deferred Liabilities**

	Total Outstanding at 31 <sup>st</sup> March	
	2004/05 £'000s	2003/04 £'000s
Former G.M.C. Debt (i)	13,608	13,679
Former L.C.C. Debt (ii)	471	557
Other (iii)	31	47
<b>Total</b>	<b>14,110</b>	<b>14,283</b>

- (i) The Greater Manchester County Council (G.M.C.) ceased to exist on 31<sup>st</sup> 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 31<sup>st</sup> March 2005 the Authority held £1,419,000 (£2,114,000 at the 31<sup>st</sup> March 2004).

**10. Provisions**

	1 <sup>st</sup> April 2004 £'000s	Receipts In Year £'000s	Payments In Year £'000s	31 <sup>st</sup> March 2005 £'000s
Self Insurance – Liability and Fire (1)	8,524	3,654	2,469	9,709
Developers Deposits Account (2)	596	0	2	594
Engineering Provisions (3)	389	0	389	0
Property Renewal & Development (4)	158	0	152	6
Charitable Rate Relief (5)	349	250	280	319
Industrial Estates Dilapidation	0	133	0	133
Other	339	41	308	72
<b>Total</b>	<b>10,355</b>	<b>4,078</b>	<b>3,600</b>	<b>10,833</b>



**Notes**

- (1) In accordance with FRS 12 the Insurance Liabilities at 31<sup>st</sup> March 2005 are estimated to be £9,705,000. An Insurance Reserve has been set up to hold any surplus or deficit on the Insurance Provision.
- (2) Developers undertaking certain works on public highways are required to make deposits which are returnable on the satisfactory completion of works.
- (3) Engineering provisions reflect equipment requirements which were delivered in 2004/05
- (4) Property Renewal and Development in part reflects ongoing liability for work to the Council's own property.
- (5) The liability for Rate relief occurs annually in the Collection Fund, it is charged to General Fund the following year. The provision recognises that liability.

**11. Capital Grants Unapplied**

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

	<b>Capital Grants</b>	
	<b>£'000s</b>	
	<b>2004/05</b>	<b>2003/04</b>
Balance at Beginning of Year	1,192	664
<u>add:-</u>		
Receipts in Year	19,781	19,045
<u>less:-</u>		
Applied During the Year:-		
Capital Financing	(5,148)	(7,840)
Transfer to Deferred Grants A/c	(14,711)	(10,677)
Other Application	(97)	0
<b><i>Balance at End of Year</i></b>	<b><i>1,017</i></b>	<b><i>1,192</i></b>

**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.

	<b>Capital Grants Deferred</b>	
	<b>£'000s</b>	
	<b>2004/05</b>	<b>2003/04</b>
Balance at Beginning of Year	19,561	10,179
Grants Received in Year	14,711	10,667
Transfer to Asset Management Revenue Account	(1,499)	(1,285)
<b><i>Balance at End of Year</i></b>	<b><i>32,773</i></b>	<b><i>19,561</i></b>

**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 future 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.

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

**17. Leasing Arrangements**

The only leases generated by the Council relate to land and property. In 2004/05 £2.6M rental income was generated from premises with a net book value of £46.4M.

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:

<b><u>Operating lease payments due in 2005/06</u></b>	
	£'000s
Leases expires 2005/06	168
Lease expires 2006/07 to 2008/09	444
<b>Total</b>	<b>612</b>

**18. Assets Held Under Finance Leases**

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

	Gross Book Value £'000s	Accumulated depreciation to 31/3/04 £'000s	Depreciation in the year £'000s	Net Book Value £'000s
Plant and equipment	187	(125)	(15)	47

Future amounts payable:

	£'000s
2005/06	23
2006/07 to 2008/09	23

**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.

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. The Council will grant fund the Trust during that period.

The Council has also entered in to a five year agreement with Bolton at Home Ltd. 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>	£'000s
<b><u>Commercial Services</u></b>	
Leverhulme Community Centre	353
<b><u>Planning and Environment</u></b>	
Bolton Interchange	1,140
Newport St./Gt. Moor St. Railway Bridges	1,756
Bus Stop Environment Improvements	250
Route Lighting Improvements	100
Public Transport Footpath Improvements	100
Cycle Route: Bolton to Middlebrook (Phase 1)	200
<b><u>Property Services</u></b>	
Conversion of tennis courts to football	272
<b>Total</b>	<b>4,171</b>

<b><u>Schemes Approved But Not Contracted</u></b>	<b><u>£000s</u></b>
<b><u>Corporate Issues</u></b>	
Lever St offices refurbishment	300
Asset Management Plan	3,318
<b><u>Planning and Environment</u></b>	
Cycle Route: Bolton to Middlebrook (Phase 1)	350
Hartford Road - Daisy Hill Bypass	380
Royal Bolton Hospital, Cycle Route	338
A6 Manchester Road (Four Lane Ends to Salford boundary)	124
Stapleton Ave/Old Kiln Lane signal junction	120
Neighbourhood Road Safety Initiative:	
Prince St	100
Windermere Rd	100
Church Road, Farnworth	150
Nelson St / Weston St	707
Manchester Road / Lower Bridgeman Street Junction Improvements	1,718
Plodder Lane / Harper Green Lane	140
Chorley Old Road / New Church Road Puffin	242
Beaumont Road / Chorley New Road Junction	490
Fletcher Street / Bridgeman Street	250
Tonge Moor Road / Thicketford Road Junction	350
Longcauseway Junction, Farnworth	591
Northern Orbital Quality Bus Corridor	125
Hall I'th Wood Station	592
Daisy Hill Station	571
Moses Gate Station	371
Bromley Cross Station	536
Kearsley Station	524
Bolton Station Car Park	445
Blackrod Station	249
Station Improvement Programme	300
Churchgate, Bolton	400
Marsden Road /Topp Way Junction	850
Bus Gyrotory system, Town Centre	1,430
Bolton Institute Safe Routes	647
Horwich Parkway Station	360
Bus Stop Environment Improvements	250
<b><u>Structural Maintenance:</u></b>	
Hulton Lane	500
Chorley New Road	350
Belmont Road	250
Moor Lane	130
Crown Lane	150
Smithills Dean Road	140
Route Lighting Improvements	250
Public Transport Interchange Footpaths	250
<b><u>Housing</u></b>	
HRA Capital Programme	55,000
GRF Capital Programme	8,015
<b><u>Education</u></b>	
Education Capital Programme	12,877
<b><i>Total</i></b>	<b><i>95,330</i></b>

## 21. Contingent Liabilities

- Municipal Mutual Insurance Ltd

Municipal Mutual Insurance ceased insuring the Authority in 1982 and entered into a Scheme of Arrangement in 1984 to enable it to continue to pay out claims.

Should the company not be able to meet all the claims outstanding then it will be able to reclaim from the Authority a proportion of claims settled on its behalf.

- Independent Insurance

A provisional liquidator was appointed to Independent Insurance Company Ltd on the 18<sup>th</sup> 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.

- Challenge Funding - Property Transactions

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 and Property issues. These are being addressed on a case by case basis.

- Sale of the Midland Hotel & Conference Centre

As a result of the Council receiving a distribution from the proceeds of Modesoles' sale of its shares in the Midland Hotel & Conference Centre, a liability may arise (the extent of which can not yet be determined) to repay its share of a grant given in 1986 towards the refurbishment of the hotel.

## 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 9 to the Consolidated Revenue Account contain 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 31<sup>st</sup> March are as follows:

Local Government Pension Scheme	2004/05 £'000s	2003/04 £'000s
Estimated Liabilities in the scheme	(599,500)	(481,400)
Estimated assets in the scheme	468,100	453,100
Net asset/(liability)	(131,400)	(28,300)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £131m 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 31<sup>st</sup> March 2004. The main assumptions used in the calculations are:

Local Government Pension Scheme	2004/05	2003/04
Rate of inflation	2.9%	2.9%
Rate of increase in salaries	4.4%	4.4%
Rate of increase in pensions	2.9%	2.9%
Rate for discounting scheme liabilities	5.4%	6.5%

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 <sup>st</sup> March 2005		31 <sup>st</sup> March 2004	
	Long term	Fund	Long term	Fund
	Return	Assets	Return	Assets
	%	%	%	%
Equity investments	7.7	68	7.7	68
Bonds	4.8	14	5.1	16
Other property	5.7	10	6.5	10
Other Cash	4.8	8	4.0	6
<b>Total</b>	<b>6.9</b>	<b>100</b>	<b>6.9</b>	<b>100</b>

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 no contributions 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 9.

**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>2004/05</u>	<u>2003/04</u>
	<u>£m</u>	<u>£m</u>
General Fund	120	109
HRA	492	438
Trading Organisations	9	8
<b>Total</b>	<b>621</b>	<b>555</b>

**25. Post Balance Sheet Event**

On the 9 August 2005, the Council sold its entire 10.2% shareholding in Modesole Ltd, the proceeds amounted to £0.789m will be treated in the accounts as a capital receipt. Earlier Modesole had also declared a final dividend that was received on the 13<sup>th</sup> July 2005. Modesole Ltd declared a pre sale dividend of £2.565m on 13<sup>th</sup> July 2005, of which this Council received £0.261m.

As a result of the Council receiving a distribution of proceeds from the sale of its entire shareholding in Modesole Ltd, 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.



**STATEMENT OF TOTAL MOVEMENTS IN RESERVES**

	<b>2004/2005 £000s</b>	<b>2003/2004 £000s</b>
Surplus/(deficit) for the year:		
- General Fund	18	299
- Housing Revenue Account	142	1,715
Add back Movements on earmarked revenue reserves	2,474	1,951
Deduct Appropriation from pensions reserve	(100)	(5,300)
Actuarial gains and losses relating to pensions	(88,300)	64,500
<b>Total increase/(decrease) in revenue resources (note 1)</b>	<b>(85,766)</b>	<b>63,165</b>
Increase/(decrease) in useable capital receipts	(735)	6,075
Increase/(decrease) in unapplied capital grants and contributions	(102)	494
<b>Total increase/(decrease) in realised capital resources (note 2)</b>	<b>(837)</b>	<b>6,569</b>
Gains/(losses) on revaluation of fixed assets	167,664	113,673
Impairment losses on fixed assets due to general changes in prices	0	0
<b>Total increase/(decrease) in unrealised value of fixed assets (note 3)</b>	<b>167,664</b>	<b>113,673</b>
<b>Value of assets sold, disposed of or decommissioned (note 4)</b>	<b>(20,784)</b>	<b>(14,414)</b>
Capital receipts set aside	10,410	13,398
Revenue resources set aside	(3,134)	(1,172)
Movement on Government Grants Deferred	13,212	9,382
Movement on Major Repairs Reserve	(86)	773
<b>Total increase/(decrease) in amounts set aside to finance capital investment (note 5)</b>	<b>20,402</b>	<b>22,381</b>
<b>Increase/(decrease) on the pension reserve</b>		
<b>Total recognised gains and losses</b>	<b>80,679</b>	<b>191,374</b>

**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
<u>Surplus/deficit for 2004/05</u>	18	56		
Appropriations to/from revenue			2,474	(100)
Actuarial gains and losses relating to pensions				(88,300)
	<b>18</b>	<b>56</b>	<b>2,474</b>	<b>(88,400)</b>
Balance brought forward at 1 April 2004	8,008	3,448	14,625	(43,000)
<b>Balance carried forward at 31 March 2005</b>	<b>8,026</b>	<b>3,504</b>	<b>17,099</b>	<b>(131,400)</b>

**2. Movements in realised Capital Resources**

	Usable Capital Receipts £000s	Unapplied Capital Grants And Contributions £000s
Amounts receivable in 2004/05	7,294	19,895
<b>Amounts applied to finance new capital investment in 2004/05</b>	<b>(8,029)</b>	<b>(19,997)</b>
<b>Total increase/(decrease) in realised capital resources in 2004/05</b>	<b>(735)</b>	<b>(102)</b>
Balance brought forward at 1 April 2004	7,106	1,479
<b>Balance carried forward at 31 March 2005</b>	<b>6,371</b>	<b>1,377</b>

**3&4. Fixed Asset Restatement Account**

	<b>Fixed Asset Restatement Account £000s</b>
<b>3. Movements in unrealised value of fixed assets</b>	
Gains/(losses) on revaluation of fixed assets in 2004/05	167,664
Impairment losses on fixed assets due to general changes in prices in 2004/05	0
<b>Total increase/(decrease) in unrealised capital resources in 2004/05</b>	<b>167,664</b>
<b>4. Value of assets sold, disposed of or decommissioned</b>	
<b>Amounts written off fixed asset balances for disposals in 2004/05</b>	<b>(20,784)</b>
Total movement on reserve in 2004/05	146,880
Balance brought forward at 1 April 2004	339,806
<b>Balance carried forward at 31 March 2005</b>	<b>486,686</b>

**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 2004/05:			
- reserved receipts	2,381		
- usable receipts applied	8,029		
<b>Total capital receipts set aside in 2004/05</b>	<b>10,410</b>		<b>10,410</b>
Revenue resources set aside in 2004/05			
- capital expenditure financed from revenue	20,435		
- reconciling amount for provisions for loan repayment	(23,569)		
<b>Total revenue resources set aside in 2004/05</b>	<b>(3,134)</b>		<b>(3,134)</b>
Grants applied to capital investment in 2004/05		14,711	
Amounts credited to the Asset Management Revenue Account in 2004/05		(1,499)	
Movement on Government Grants Deferred		13,212	13,212
<b>Total increase/(decrease) in amounts set aside to finance capital investment</b>			<b>20,488</b>
Total movement on reserve in 2004/05	7,276	13,212	
Balance brought forward at 1 April 2004	200,941	19,561	
<b>Balance carried forward at 31 March 2005</b>	<b>208,217</b>	<b>32,773</b>	

**6. Reserves and Balances**

	1 <sup>st</sup> April 2004	Receipts	Payments	31 <sup>st</sup> March 2005
	£'000s	£'000s	£'000s	£'000s

*Statement of Accounts 2004/2005*

	<b>1<sup>st</sup> April 2004</b>	<b>Receipts</b>	<b>Payments</b>	<b>31<sup>st</sup> March 2005</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
<b><u>Service Reserves</u></b>				
Insurance	1,233	57	0	1,290
Other Central Reserves	10,604	8,169	(8,129)	10,644
Education	(1,163)	6,911	(6,802)	(1,054)
Schools - Delegated Budgets	3,415	0	(192)	3,223
Commercial Services	(526)	550	(377)	(353)
Planning & Environment	(946)	2,613	(1,781)	(114)
Culture	184	211	(428)	(33)
Housing G.R.F.	1,330	1,112	(72)	2,370
Social Services	1,377	1,175	(404)	2,148
<b><i>Total Service Reserves</i></b>	<b>15,508</b>	<b>20,798</b>	<b>(18,185)</b>	<b>18,121</b>
General Reserves	8,008	18	0	8,026
<b><i>Total General Fund Balances</i></b>	<b>23,516</b>	<b>20,816</b>	<b>(18,185)</b>	<b>26,147</b>
Markets - Bridging Fund	(1,636)	233	0	(1,403)
- other funds	793	0	0	793
Trading Accounts	241	0	(139)	102
Challenge Funded Schemes	54	4	0	58
Housing Revenue Account	3,448	1,872	(1,816)	3,504
Collection Fund	1,085	0	(165)	920
<b><i>Total Reserves &amp; Balances</i></b>	<b>27,501</b>	<b>22,925</b>	<b>(20,305)</b>	<b>30,121</b>

**7. Pensions**

*Statement of Accounts 2004/2005*

The actuarial gains identified as movements on the Pensions reserve in 2004/05 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31<sup>st</sup> March 2005.

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

**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>2004/05</u> <u>£'000s</u>	<u>2003/04</u> <u>£'000s</u>
<b>Income</b>			
Council Tax	1	76,963	74,164
Transfers from General Fund:			
Council Tax Benefit		16,695	15,762
Council Tax Transitional Relief		0	(3)
Business Rates	2	63,298	61,939
Community Charges		0	(12)
		156,956	151,850
<b>Expenditure</b>			
Precepts and Demands	3	92,298	88,432
Business Rates:			
Payment to National Pool		62,401	61,029
Cost of Collection Allowance		398	400
Interest on Refunds		499	510
Council Tax Bad and Doubtful Debts / Appeals:			
Provisions		262	(403)
Write Offs		314	816
Contribution towards Previous Years' Estimated Collection Fund Surplus		950	832
		157,122	151,616
Surplus/(Deficit) for the Year		(166)	234
Surplus at Beginning of Year		1,086	852
Surplus at End of Year		920	1,086

**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 2004/05 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	50,834	6/9	33,889	41.9%
Band B	£40,000 to £52,000	16,511	7/9	12,842	15.9%
Band C	£52,001 to £68,000	15,554	8/9	13,826	17.1%
Band D	£68,001 to £88,000	8,965	1	8,965	11.0%
Band E	£88,001 to £120,000	4,651	11/9	5,685	7.0%
Band F	£120,001 to £160,000	1,901	13/9	2,746	3.4%
Band G	£160,001 to £320,000	1,604	15/9	2,673	3.3%
Band H	More than £320,000	157	18/9	314	0.4%
Total		100,177		80,940	100.0%

Estimated collection rate 98.0%

Council Tax base for tax setting 2004/05 79,320

\* 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 (45.6p in 2004/05, compared to 44.5p in 2003/04) 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		72,021
Less: Transitional and Other Relief Arrangements		(8,123)
		63,898
Less: Bad Debts / Provision for Bad Debts		(600)
		63,298
Cost of Collection Allowance	(398)	
Interest on Refunds	(499)	(897)
Net Contribution to N.N.D.R. Pool		62,401

The NNDR rateable value for the Council's area at the 31<sup>st</sup> March 2005 was £166,824,178 compared to £167,359,536 at the 31<sup>st</sup> March 2004.

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 £73,062,479 in 2004/05 (approximately £279.35 per head of a population of 261,546). 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 2004/05, with the figures for 2003/04 for comparison:

	<u>2004/05</u>	<u>2003/04</u>
	<u>£'000</u>	<u>£'000</u>
Bolton M.B.C. Demand	80,973	78,030
Greater Manchester Police Authority Precept	7,903	7,242
Greater Manchester Fire and Civil Defence Authority Precept	3,422	3,160
Total Demands and Precepts	92,298	88,432

**Cash Flow Statement**

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

	<b>31<sup>st</sup> March 2005</b>		<b>31<sup>st</sup> March 2004</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£ms</b>
<b><u>Revenue Activities</u></b>				
<i>Cash Outflows</i>				
Cash paid to and on behalf of employees	281.9		269.8	
Other Operating Expenditure	277.6		201.9	
Housing Benefit Paid Out	27.0		27.0	
National non-domestic rate payments to pool	62.4		65.3	
Precepts Paid from Collection Fund	11.3	660.2	10.7	574.7
<i>Cash Inflows</i>				
Rents (after rebates)	32.5		23.5	
Council Tax/Community Charge Receipts	84.4		75.0	
Non-Domestic Rates from pool	73.1		76.5	
Non-Domestic Rates collected	69.3		60.6	
Revenue Support Grant	155.2		138.7	
D.S.S. Grants for Benefits (now includes HRA benefit)	70.2		44.0	
Other Grants and Contributions	119.9		114.3	
Cash Received for Goods, Services Etc	80.7	685.3	53.4	586.0
		(25.1)		(11.3)
<b><u>Returns on Investments &amp; Servicing of Finance</u></b>				
<i>Cash Outflows</i>				
Expenditure - Interest Paid		15.9		12.3
<i>Cash Inflows</i>				
Income - Interest and Dividends Received		(2.7)		(1.1)
<b>Revenue Cash Outflow / (Inflow)</b>		<b>(11.9)</b>		<b>(0.1)</b>
<b><u>Capital Activities</u></b>				
<i>Cash Outflows</i>				
Purchase of Fixed Assets	86.2		66.5	
Deferred Charges	12.1		14.0	
Remittance to ODPM	10.8	109.1		80.5
<i>Cash Inflows</i>				
Capital Receipts	(25.7)		(19.6)	
Capital Grants Received	(17.4)		(18.7)	
Other Capital Cash	(15.6)	(58.7)	(23.0)	(61.3)
<b>Net Cash( inflow) / outflow before financing</b>		<b>38.5</b>		<b>19.1</b>
<b><u>Management of Liquid Resources</u></b>				
Net increase /(decrease in short term deposits)		(23.5)		18.5
<b><u>Financing</u></b>				
<i>Cash Outflows</i>				
Repayment of Amounts Borrowed		265.6		183.3
<i>Cash Inflows</i>				
New Loans Raised		(290.9)		(218.7)
<b>DECREASE IN CASH</b>		<b>(10.3)</b>		<b>2.2</b>

## Notes to the Cash Flow Statement

### 1. Cash Flow Reconciliation

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

	2004/05 £m	2003/04 £m
Surplus as per the Consolidated Revenue Account	0	(0.3)
<b>Adjustments for Non-Cash Movements in Revenue Account :</b>		
Collection Fund Deficit	0.2	(0.2)
HRA Surplus	(0.3)	(1.2)
Other Reserves	(2.4)	(3.8)
Change in Provisions	(0.5)	(0.8)
Change in Debtors and Prepayments	(21.9)	25.9
Change in Stocks	(0.1)	(0.1)
Change in Creditors	13.1	(19.6)
<b>Net Revenue Cash Outflow / (Inflow)</b>	<b>(11.9)</b>	<b>(0.1)</b>

### 2. Movements in Cash

Movements in Cash	31 <sup>st</sup> March 2005 £m	31 <sup>st</sup> March 2004 £m	(Increase) / Decrease in Cash £m
Bank Overdrawn	11.7	21.0	(9.3)
Petty Cash	(3.6)	(2.6)	(1.0)
<i>TOTAL Overdrawn</i>	8.1	18.4	(10.3)

### 3. Movement in Liquid Resources

Short Term investments have reduced from £37.5 m at 31<sup>st</sup> March 2004 to £14.0 m at 31<sup>st</sup> March 2005.

**4. Government Grants & Contributions**

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

	<u>31<sup>st</sup> March 2005</u>	<u>31<sup>st</sup> March 2004</u>
	<u>£m</u>	<u>£m</u>
Administration of Justice	20.6	19.0
Housing Subsidy (Benefits now DHSS)	5.7	16.3
Major Repairs	10.9	10.8
Standards Fund	12.2	11.4
Learning and Skills Council	7.7	9.8
District Health Contributions	7.4	6.6
Other LA Contributions (Magistrates etc)	6.7	6.0
SRB	2.5	3.6
Neighbourhood Renewal Fund	4.3	3.2
Supporting People	3.1	3.3
Sure Start	4.5	2.3
Access & Systems Capacity	2.5	0
Residential Allowance	2.1	0
Leaving Care (Quality Protects)	0	3.0
Children's Fund	0	1.5
Other Grants	29.7	17.5
<b>Total</b>	<b>119.9</b>	<b>114.3</b>

## **GROUP ACCOUNTS**

### **1 Bolton at Home Ltd**

On December 1<sup>st</sup> 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 and eliminates transactions between them.

#### **Group Revenue Account**

The second set of accounts for Bolton at Home Ltd covering the twelve months to 31<sup>st</sup> March 2005, subject to audit, show a net profit of £8,000 for the year on turnover of £46.2m and net book value of £16,000. In the previous 16 month period to 31<sup>st</sup> March 2004 the company had a turnover of £54m 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:

- Bolton at Home Accounts need to be adjusted to show the cost of pensions earned in the year rather than contributions paid by the employer. It is estimated this increases reported costs by £0.4m
- Asset Rentals charged in Bolton MBC accounts are removed to bring the local authority accounts to a comparable figure to a private sector profit and loss calculation. This reduces reported service costs by £16.7m on General Fund and £15.6m on HRA.
- Gains or losses on the sale of assets have to be reported on the revenue account in group accounting whereas in local authority standard they are held on the capital account to conform with local authority financial legislation. This introduces a cost of £10.4m which is attributable to discounts on the sale of Council Houses.
- The effect of these changes need to be reversed in the appropriations section of the accounts to balance to external funding sources.

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

	2004/05		
	Gross Expenditure £ms	Gross Income £ms	Net Expenditure £ms
<b><u>Continuing Services</u></b>			
General Fund	568.2	262.1	306.1
Housing Revenue Account	39.1	48.9	(9.8)
Disposal of Fixed Assets	34.9	24.4	10.5
<b>Net cost of continuing Services</b>	<b>642.2</b>	<b>335.4</b>	<b>306.8</b>
Discontinued Services - Magistrates	29.9	28.8	1.1
<b><u>Net Cost of Services</u></b>	<b>672.1</b>	<b>364.2</b>	<b>307.9</b>
Parish Precepts			0.3
Trading Account Gross (Surplus) / Deficit			(0.5)
Market Surplus			(0.2)
Pension Interest Cost and expected return on Pension assets			(5.7)
Interest & Dividends received			(3.0)
Transfer from AMRA			5.5
<b>Net Operating Expenditure</b>			<b>304.3</b>
H.R.A. Balances Transfer			0.3
Earmarked Reserves			1.0
Trading Account Reserves			0.6
Market Reserves			0.2
Contribution from Pension Fund			0.4
Capital Expenditure Financed from Revenue			3.4
<b>Amount to be met from Gov't. Grants &amp; Local Taxpayers</b>			<b>310.2</b>
<u>Less</u>			
Revenue Support Grant			155.2
National Non Domestic Rates			73.0
Council Tax			81.0
Transfers to / from Collection Fund			1.0
<b>Net General Fund (surplus) / deficit for year</b>			<b>(0)</b>
<b><i>Balance on General Fund at beginning of year</i></b>			<b>(8.0)</b>
<b><i>Balance on General Fund at end of year</i></b>			<b>(8.0)</b>
(Balances attributable to schools budgets not included in General Fund Balances)			(3.2)

**Balance Sheet**

The Group Balance Sheet is as follows:

	<b><u>31<sup>st</sup> March 2005</u></b>	<b><u>31<sup>st</sup> March 2004</u></b>
	<b>£M</b>	<b>£M</b>
Long Term Assets	1,061.9	847.6
<u>Current Assets</u>		
Investments	14.0	37.5
Stock & WIP	1.3	1.4
Debtors and Prepayments	50.2	62.8
Cash in hand	3.8	3.2
<u>Current Liabilities</u>		
Temporary Borrowing	(49.6)	(79.3)
Creditors	(49.5)	(55.5)
Cash Overdrawn	(11.7)	(21.0)
Long Term Liabilities	(253.8)	(200.6)
Pension Liabilities	(142.3)	(38.7)
<b><i>Total Assets less Total Liabilities</i></b>	<b><i>624.3</i></b>	<b><i>557.4</i></b>
Fund Balances and Reserves	<b><i>624.3</i></b>	<b><i>557.4</i></b>

**Cash Flow**

The Group Cash Flow Statement is set out below:

	<b>31<sup>st</sup> March 2005</b>	
	<b>£m</b>	<b>£m</b>
<b><u>Revenue Activities</u></b>		
<i><u>Cash Outflows</u></i>		
Cash paid to and on behalf of employees	309.7	
Other Operating Expenditure	242.8	
Housing Benefit Paid Out	27.0	
National non-domestic rate payments to pool	62.4	
Precepts Paid from Collection Fund	11.3	653.2
<i><u>Cash Inflows</u></i>		
Rents (after rebates)	32.5	
Council Tax/Community Charge Receipts	84.4	
Non-Domestic Rates from pool	73.1	
Non-Domestic Rates collected	69.3	
Revenue Support Grant	155.2	
D.S.S. Grants for Benefits (now includes HRA benefit)	70.2	
Other Grants and Contributions	120.1	
Cash Received for Goods, Services, etc	73.1	677.9
		(24.7)
<b><u>Returns on Investments &amp; Servicing of Finance</u></b>		
<i><u>Cash Outflows</u></i>		
Expenditure - Interest Paid		15.9
<i><u>Cash Inflows</u></i>		
Income - Interest and Dividends Received		(2.7)
<b>Revenue Cash Outflow / (Inflow)</b>		<b>(11.5)</b>
<b><u>Capital Activities</u></b>		
<i><u>Cash Outflows</u></i>		
Purchase of Fixed Assets	86.2	
Deferred Charges	12.1	
Remittance to ODPM	10.8	109.1
<i><u>Cash Inflows</u></i>		
Capital Receipts	(25.7)	
Capital Grants Received	(17.4)	
Other Capital Cash	(15.6)	(58.7)
<b><u>Net Cash (inflow) / outflow before financing</u></b>		<b>38.9</b>
<b><u>Management of Liquid Resources</u></b>		
Net increase /(decrease in short term deposits)		(23.5)
<b><u>Financing</u></b>		
<i><u>Cash Outflows</u></i>		
Repayment of Amounts Borrowed		265.6
<i><u>Cash Inflows</u></i>		
New Loans Raised		(290.9)
<b>DECREASE IN CASH</b>		<b>(9.9)</b>



### **Total Movements In Reserves**

The movement in Reserves arising from Bolton at Home Ltd's incorporation in group accounts is limited to the £8,000 surplus on the year and the introduction of pension liabilities to comply with FRS17 pension accounting.

	<b>2004/2005</b>
	<b>£ms</b>
Surplus/(deficit) for the year:	
- General Fund	0
- Bolton at Home Ltd	0
- Housing Revenue Account	0.1
Add back Movements on earmarked revenue reserves	2.5
Add Appropriation from pensions reserve	0.4
Actuarial gains and losses relating to pensions	(104.0)
<b>Total increase/(decrease) in revenue resources</b>	<b>(101.0)</b>
Increase/(decrease) in useable capital receipts	(0.7)
Increase/(decrease) in unapplied capital grants and contributions	(0.1)
<b>Total increase/(decrease) in realised capital resources</b>	<b>(0.8)</b>
Gains/(losses) on revaluation of fixed assets	167.7
Impairment losses on fixed assets due to general changes in prices	0
<b>Total increase/(decrease) in unrealised value of fixed assets</b>	<b>167.7</b>
<b>Value of assets sold, disposed of or decommissioned (note 4)</b>	<b>(20.8)</b>
Capital receipts set aside	10.4
Revenue resources set aside	(3.1)
Movement on Government Grants Deferred	13.2
Movement on Major Repairs Reserve	(0.1)
<b>Total increase/(decrease) in amounts set aside to finance capital investment</b>	<b>20.4</b>
<b>Increase/(decrease) on the pension reserve</b>	
<b>Total recognised gains and losses</b>	<b>65.5</b>

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

There are two other companies in which the Council has a minority shareholding. These are identified as long term investments as a note to the Balance Sheet.

**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 1<sup>st</sup></u>	<u>Income</u>	<u>Expenditure</u>	<u>Balance at 31<sup>st</sup></u>	<u>Represented by</u>		
	<u>April 2004</u>			<u>March 2005</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>
<b><u>Commercial Services</u></b>							
Maintenance of Graves in Perpetuity	337,798.30	9,252.49	0	347,050.79	323,964.79	23,086.00	347,050.79
Red Lion Playing Field Trust	1,952.08	46.79	0	1,998.87	1,998.87	0	1,998.87
F. Greenhalgh Prize	76.75	3.56	0	80.31	80.31	0	80.31
Topps Trust Fund	20,378.01	946.15	0	21,324.16	21,324.16	0	21,324.16
War Graves	445.15	0.39	0	445.54	445.54	0	445.54
<b><u>Social Services</u></b>							
Social Services Bequests	109,385.89	3,188.57	40,266.20	72,308.26	72,308.26	0	72,308.26
General Assistance	44,936.76	1,661.94	0	46,598.70	46,598.70	0	46,598.70
Workshops & Homes for the Elderly	56,619.74	2,094.02	0	58,713.76	58,713.76	0	58,713.76
Blair Sick Fund	8,616.36	314.96	0	8,931.32	7,300.77	1,630.55	8,931.32
Helen Hartley	1,185.82	43.86	0	1,229.68	1,229.68	0	1,229.68
<b><u>Education</u></b>							
C. Westhead	606.77	28.26	0	635.03	519.87	115.16	635.03
Leigh Bramwell	18,875.69	1,201.42	960.00	19,117.11	3,667.11	15,450.00	19,117.11
Sister Alice Ingham	699.43	14.08	0	713.51	318.61	394.90	713.51
J. Goodenday	44,182.54	2,637.59	0	46,820.13	46,510.01	310.12	46,820.13
McAvoy	1,527.41	81.56	0	1,608.97	1,378.47	230.50	1,608.97
Westhoughton Education Trust	19,985.73	795.98	540.00	20,241.71	2,902.24	17,339.47	20,241.71
Eagley Bridge	10,098.73	595.73	600.00	10,094.46	4,463.16	5,631.30	10,094.46
<b>Total</b>	<b>677,371.16</b>	<b>22,907.35</b>	<b>42,366.20</b>	<b>657,912.31</b>	<b>593,724.31</b>	<b>64,188.00</b>	<b>657,912.31</b>



## 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 (N.N.D.R.)

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.