



Statement of Accounts

2006/2007



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Statement of Accounts 2006/2007

Approved at the meeting of
the Constitutional Panel
June 29th 2007

Councillor Clifford Morris
Leader of Bolton Council
Chairman of the Constitutional Panel

As reported to Audit Committee 25th
September 2007

Statement of Accounts 2006/2007

Foreword by the Director of Corporate Resources

1 Introduction

This document is the Council's Statement of Accounts for the year ending 31st March 2007, and comprises the following:

The Council's Core Financial Statement. Which includes

- **The Income & Expenditure Account.** Analysing service Income and Expenditure in accordance with generally accepted accounting practice.
- **A Statement of Movement on the General Fund Balance.** This reconciles the reported outturn from the Income & Expenditure Account to the change in General Fund balances which are determined by Statute.
- **A Statement of Total Recognised Gains and losses.** This relates the change in total Balance Sheet values to the movements reported in Income and Expenditure Account and Statement of Movement on General Fund Balance.
- **The Balance Sheet.** Setting out the Council's financial position at the 31st March 2007.
- **The Cash Flow Statement.** Showing cash movements in the year.

Each of the above is supported by explanatory notes.

Supplementary Financial Statements are:

- **The HRA Account.** This shows the Council's income and expenditure relating to Council Housing.
- **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.
- **Group Accounts.** Show 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.
- **Statement on Internal Control.** This statement explains the systems of controls operating within the Council to secure sound financial control and good governance.

The accounts are supported by the Statement of Accounting Policies and a glossary of terms.

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, 2006 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:

- The Council continued its significant change programme to further improve the quality and efficiency of its services putting Customers at the heart of what we do. The main themes of the programme are: improving customer access to services; Delivering services locally where appropriate; Reorganising services around the customer to assist seamless delivery; and Bringing similar functions together from different departments in to a single shared service.
- Once again the Council was judged to be delivering “Four star - Excellent” services to local people for the fourth year running as part of the Government’s Continuous Performance Assessment (CPA) of local authorities.
- The Council has continued to respond to the Government’s Gershon efficiency agenda by preparing the Annual Efficiency Statements and achieving the targets which were themselves in excess of the targets set by government.
- Major regeneration plans for the Bolton town centre have advanced with the Council acting as facilitator for some aspects and as landlord in other respects.

3 Format of the Accounts

The new requirements of the 2006 Local Authority Accounting Code of Practice involved significant changes to the presentation of the Statement of Accounts.

- The Consolidated Revenue Account and some supporting statements have been replaced by a “Performance Statement” comprising an Income and Expenditure Account, A Statement of Movement on the General Fund Balance and a Statement of Total Recognised Gains and Losses.
- The layout of the Balance Sheet and the Statement of Accounts as a whole has been changed to comply with the order which is now prescribed.
- The notional interest charge to services for the use of assets has been abolished and services are now credited with amortised capital grants where appropriate to offset the cost of depreciation.
- Disclosure is now required on the face of the Income and Expenditure Account of gains or losses on the disposal of fixed assets.

The rationale for these developments is to align public sector accounting to a common framework which embraces generally accepted accounting practice. There are several aspects where the presentational requirements conflict with the legal framework within which local authorities are required to operate. Such transactions are presented in accordance with generally accepted accounting practice in the

Income and Expenditure Account but reversing entries are required within the Statement of Movements on General Fund Balance to ensure only items correctly chargeable against General Fund remain.

4 Major Financial Variances

The restatement of the accounts has raised some transitional issues:

- The requirement to report the gains or losses on the disposal of assets focuses attention on this area and has give rise to a debate nationally about whether assets should be valued to a disposal value before they are sold (and whether this should be done retrospectively for restating 2005/06 accounts). As currently drafted our accounts have been adjusted to show nil loss / gain for both years in the knowledge no assets were sold at below market value.
- The requirement to report full cost, although it does not ultimately fall on General Fund balances, is best illustrated by Equal Pay Settlements which are reported on the Income and Expenditure Account as an exceptional item of £9.56m although £4.574m can be capitalised following a government direction and a further £0.41m is not to be charged revenue in 2006/07 using the provisions of the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007. When the amount falls to be charged in 2007/08, a further capitalisation directive may then be available.
- Education net expenditure has fallen by virtue of the introduction of Dedicated Schools Grant (£156m).
- Trading Accounts Losses (£1.3m) reflect the loss of income at Markets reflecting both refurbishment of the Market Hall and declining rents elsewhere.
- The reduced Pension Liabilities (£38.5m offset by the reduced reserve) reflecting improved returns on investments and evidence of take up of commuted sums rather than future pensions, a choice which is favourable to the Pension Fund

5 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 excl.Schools	197.2	198.8	1.6
Schools	156.2	156.2	-
Parish Precepts	0.3	0.3	-
Less			
General Government Grants	(17.0)	(19.7)	(2.7)
National Non Domestic Rate	(88.2)	(88.2)	-
Direct Schools Grant	(156.2)	(156.2)	-
Collection Fund	(90.2)	(90.2)	-
Movement in Balances	2.1	1.0	(1.1)

The increase in General Government Grants is reflects the receipt of further Public Service Agreement Reward Grant and additional Local Government Business Incentive Scheme Grant.

6 Movement from Original Budget to Outturn

General Fund Changes to Revenue Budgets for the year 2006/07 before Depreciation and Recharges are as follows:

Service	Controllable Budget £ms	Outturn £ms	Variance £ms	Comment Largely transfers of budgets reflecting changes of responsibility. E.g. Marketing & Communications
Children's Services	37.5	37.1	-0.4	Transfers of budgets reflecting changes of responsibility
Adult Services	66.1	66.1	-	
Environmental Services	20.1	21.2	+1.1	Additional approval for waste collection / disposal costs (£0.8m) and lost income from the Market Hall (£0.6m) budgeted on Financial Arrangements
Housing	3.3	3.2	-0.1	
Development & Regeneration	3.9	3.8	-0.1	
Central Departments	23.8	24.8	+1.0	Largely transfers of budgets reflecting changes of responsibility plus additional corporate bad debt provision (£0.2m), reduced surplus on Land and Property (£0.1m) and loss of income on land charges (£0.1m)
Financial Arrangements including Precepts Excluding LAGBI and PSA Grant	42.5	42.6	+0.1	Lower than anticipated financing costs (£1.9m) offset by Equal pay costs of £9.6m partially met from Capitalisation and use of earmarked reserves.
Total	197.2	198.8	+1.6	

7 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.

A commentary on each service follows:

Corporate Strategy and Finance

The 2006/2007 revenue outturn for Corporate Strategy and Finance was £24.9m against its controllable budget of £23.8m. This represents an increase against the original budget of £1.1m. However, base adjustments of £0.8m have been reported to the Executive Member during the year. (Largely virement into Corporate Resources for capital financing adjustments and services transferring into the departments). In addition a predicted under recovery of Land Charges income has already been reported.

The remaining variances relate to increasing the bad debts provision for the corporate land holdings, and an under-recovery of income on Corporate Property. In addition, there have been minor overspends on Members' IT, Civic Hospitality, and the temporary funding of a Trade Union representative during the period of the Pay and Grading review.

The Capital Programme has under spent by £3.5m, compared to the Programme of £7.2m. The decreased spend was on property schemes, where there has been a deliberate delay in projects, because of awaiting outcomes of the Council's Change Programme. There was also slippage on data network projects. The Executive Member has been advised of projected capital underspends on these schemes during the year. There have been some additional capital spend on Bolton Arena and on the old Police Accommodation in Le Mans Crescent. Both of these projects have received Executive Member approval.

Corporate Strategy and Finance's reserves have increased by £1.3 million in the year. The movements represent the net effect of expenditure on invest to save schemes previously approved by the Executive Member; repayments back into invest to save schemes, plus the setting aside of monies to pay for specific developments around IT, accommodation and the Change Programme .

Development and Regeneration

Development & Regeneration operated its first full financial year following realignment and incurred small net revenue overspend (£29k) on its controllable budget. The approved CBPP options and “Gershon” efficiency savings for 2006/07 are also reflected in the budget outturn; these targets were achieved during the financial year. There was a net contribution of £0.2m to reserves during 2006/07 most of which related to a further successful attainment of Planning Development Grant.

The approved capital programme was £2.2m. The actual outturn was £2.0m before the transfer of certain projects to revenue.

Strategic Housing

There was a small under spend against the controllable budget (£63k). The main reason being additional income generated by the Elderly Services and Careline services which are managed by Bolton at Home. These have been offset by additional set up costs at the new homeless hostel and security costs of the site of the former hostel which will be recovered when the site of the old hostel is sold.

Environmental Services, Recycling and Waste

During the 2006/07 financial year, the Environmental Services Department, which has a gross turnover of £76.8m incurred a net overspend on its controllable budget of £0.5m.

The additional expenditure relates largely to in year deficits on the Department's Trading accounts (Catering £0.4m and Building Cleaning £0.2m) offset by reductions in Highway revenue expenditure due to an in year focus upon implementing capital works.

In respect of the Catering Services, the deficit reflects a national picture in school meals of increased quality and more expensive food on the plate coupled with a reduction in meal take up. The Building Cleaning Service has incurred some one off additional costs as a result of the switch from weekly to monthly paid staff in addition to increases in costs which have not been passed on to customers in the year. Action plans to address the ongoing nature of any deficits are currently being drafted and will be presented to the Executive Members for Cleaner Safer Greener and Environmental Services in July.

Adult Social Care and Health, Culture and Community Services

In 2006/07 Adult Services reported an overspend of £0.5m (0.8%) against its controllable budget of £66.1m. The overspend has been funded from the planned use of Adult Services available reserves of £1.9m. The budget pressures have been reported consistently to Members during the course of the year and the Executive Members for Adult Social Care & Health and Culture & Community Services approved a package of in-year measures in order to contain costs. These measures have been effective in reducing the level of overspend, which at quarter 3 was projected at £1.9m. There was no major corporately funded growth in 2006/07.

However, continuing budget pressures still exist, mainly in Adults Social Care and particularly in the Young Adults service, due to the cumulative cost of children with complex physical and learning disabilities transferring to Adult Services in recent years and, also, the increase in Direct Payment recipients to meet Government requirements. These pressures are projected to continue at an increasing rate into 2007/08 and future years.

Children's Services

Revenue Outturn 2006-2007

The Service has strategically planned and identified funding of £2.6m to support the financial position in 2007/08 and to contribute to the repayment of debt. Overall schools are now holding balances of £ 3.2m (equal to 1.9% of schools budgets) – this is a reduction of £0.7m compared to March 2006. Whilst the overall position against

Children's Services is as planned, the department faced significant budget pressures in relation to a number of areas, the most significant variances are summarised below:

Vulnerable Persons Transport

The department has been faced with increasing demands against this budget in previous years. During the year the Council has brought together vulnerable persons transport across the authority with a view to reducing costs and providing a more responsive service. Due to the timing of the project some savings have been realised in the current year, it is anticipated that further savings will be achieved in future years in respect of this service

Out of borough costs / SEN Independent School costs

As previously reported this budget has been under pressure for some time. As part of the budget process for 2006/07 the department identified a savings target against this budget of £0.4m, and whilst the department has successfully supported maintaining pupils within the Borough wherever possible, the nature of some children's SEN needs are best met by placements in Independent SEN settings. The department has not fully achieved the savings target of £0.4m but has achieved savings of just under £0.3m in this area.

Residential services – agency placements

The department has faced increased demand and costs in respect of residential placements during the year. However the department has successfully attracted an additional £ 257,000 in respect of grants to assist the support of 3 children currently placed with agencies. The impact of this additional funding has been to offset the potential overspend resulting in an overall net underspend of £ 175,000.

Fostering and adoption – Bolton Foster Carers

As part of the budget setting process additional resources were allocated to the portfolio to increase foster carer fees to support the Authority's recruitment of foster carers. Following consultation with foster carers the fees were increased from September 2006; due to the part year implementation there is a current projected saving against the budget. Following this investment, over the past 15 months the number of foster carers has increased by 18, this is an increase of 24% against the number of foster carers at January 2006.

Reserves Position

The revenue position overall was a surplus of £3.8m. This increases the total reserves to £7.5m (including school balances). These reserves include a negative general reserve of £1.4m which is planned to be recovered over the next 3 years, a strategically planned reserve of £ 1.4 million to support the departmental budget during 2007/08 and a reserve for contributions to capital projects of £ 2.9m.

Capital outturn 2006/07

The original capital allocation for 2006/07 was £17.2m. During the year it was reported that expenditure was expected to be £15.1m due to slippage in the

programme. There has been further slippage in the resulting in an outturn of £11.4m. The main slippage relates to Hayward (£4.0m), Withins (£1.0m) and The Orchards.

8 Capital Expenditure

Capital expenditure for the year was £108.7m made up as follows:-

Service	Outturn £m
Children's Services	11.3
Adult Services: Culture & Community	1.0
Adult Social Care	0.7
Environmental Services	19.6
Development & Regeneration	1.6
Central Departments	3.6
Housing General Fund	10.1
HRA	54.0
Special Funding Schemes	2.2
Equal Pay Capitalisation Directive	4.6
Total Expenditure	108.7

and this was financed as follows:-

	£M
Borrowing	62.6
Capital Receipts	3.5
External contributions including government grants	28.0
Revenue / Reserves / Creditors	14.6
Total	108.7

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 2006/07 the initial limit was £445.5m. The figure calculated from the 31st March 2007 Balance Sheet is £438m.

In addition to borrowing the Council may also use internal funds and Capital Receipts to finance capital expenditure. At 31st March 2007 a Capital Funding Reserve of £1.6m and Usable Capital Receipts of £11.4m were held.

9 Balances

At 31st March 2007 General Fund Reserves stood at £7.879m.

There is a commitment to provide "bridging finance" from these balances for Bolton Market refurbishment. The amount currently required for this purpose is £1.319m. Thus, the available General Reserves to protect the Council against unexpected demands are £6.560m. It should be noted £1.0m of this sum has been committed to support the 2007/08 budget as part of the budget strategy.

Stephen M. Arnfield
Director of Corporate Resources
20 June 2007



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

Opinion on the financial statements

We have audited the financial statements of Bolton Metropolitan Borough Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Bolton Metropolitan Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to Bolton Metropolitan Borough Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Bolton Metropolitan Borough Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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

We report to you our opinion as to whether the financial statements present fairly the financial position of Bolton Metropolitan Borough Council in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

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

Basis of audit opinion

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

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

Opinion

In our opinion:

The financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.



KPMG LLP
Chartered Accountants
Manchester
28 September 2007



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

Authority's Responsibilities

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

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

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to satisfy ourselves that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities.

We report if significant matters have come to our attention which prevent us from concluding that the authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

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

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission, in all significant respects, Bolton Metropolitan Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

Best Value Performance Plan

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 19 December 2006. We did not identify any matters to be reported to the authority and did not make any performance improvement observations on procedures in relation to the plan.

Certificate

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

KALE W

KPMG LLP
Chartered Accountants
Manchester
28 September 2007

Statement of Accounting Policies

Introduction

The accounts are compiled and presented in accordance with recommendations by the Chartered Institute of Public Finance and Accountancy (CIPFA) 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 finance operates within a framework of legislation and regulation. Where legislative and accounting principles conflict, legislative requirements shall apply.

Fixed Assets

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

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

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

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

Intangible Assets

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

Deferred Charges

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

Capital Receipts

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

Depreciation

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

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

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

Impairment

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

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 service 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 Corporate Income and Expenditure Account.

Costs of Management and Administration

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

VAT

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

Pensions

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

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

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

Debtors and Creditors

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

Repurchase of Borrowing

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the 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 HRA subsidy regulations.

Provisions

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

Reserves

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

Investments

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

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.

Gains and Losses on the sale of fixed assets

A new requirement arising from the 2006 Statement of Recommended Practice relates to the disclosure of gains or losses on the face of the Income and Expenditure Account. Following a review to establish no sales were made below market value in 2005/06 or 2006/07 fixed assets sold have been retrospectively revalued for the purposes of the accounts in both years.

Core Single Entity Financial Statement

Income and Expenditure Account 2006/2007

2005/06 Net Expenditure £'000s		Note	Gross Expenditure £'000s	2006/07 Gross Income £'000s	Net Expenditure £'000s
3,303	Central Services to the public		13,339	8,259	5,080
18,544	Culture		22,538	5,359	17,179
25,724	Environmental and Planning Services		50,297	19,477	30,820
163,171	Education Services		241,213	221,130	20,083
26,093	Highways, Roads and Transport		38,931	11,215	27,716
(17,972)	Local Authority Housing (HRA)		40,761	55,440	(14,679)
10,594	Other Housing Services		98,600	85,140	13,460
74,604	Social Services		113,750	33,683	80,067
6,601	Corporate and Democratic Core		5,454	1,114	4,340
18,931	Non-distributed costs		40,796	21,190	19,606
440	Exceptional Item*		9,560		9,560
330,033	Net Cost of Continuing Services		675,481	462,007	213,232
0	(Profit)/Loss on disposal of fixed assets				0
328	Parish Council Precepts	4			341
319	(Surplus)/Deficit on trading undertakings not included in net cost of services				1,194
16,671	Interest payable and similar charges				19,554
10,718	Contribution of Housing capital receipts to Government Pool				9,356
(4,100)	Interest and Investment Income	5			(4,621)
500	Pensions interest cost and expected return on pensions assets				(1,700)
354,469	Net Operating Expenditure				237,356
(85,817)	Demand on the Collection Fund				(90,210)
(159,116)	General Government Grants				(19,684)
(87,916)	Non-domestic rates distribution				(88,242)
21,620	Deficit/(Surplus) for the year				39,220

* Equal Pay settlements in 2006/07, Impairment of a museum exhibit in 2005/06

Statement of Movement on the General Fund Balance

2005/06 £'000s		2006/07 £'000s
21,620	(Surplus)/Deficit for the year on the Income and Expenditure Account	39,220
(22,513)	Net additional amount required by statute and non-statutory proper practices to be debited and credited to the General Fund Balances for the year	(38,180)
(893)	(Increase)/Decrease in General Fund Balance for the year	1,040
(8,026)	General Fund Balance brought forward	(8,919)
(8,919)	General Fund Balance carried forward	(7,879)
0	Amount of the General Fund Balance held by schools under Local Management schemes	0
(8,919)	Amount of General Fund Balance generally available for new expenditure	(7,879)

Notes to the Accounts

2005/06 £'000s		2006/07	
		£'000s	£'000s
1.	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year.		
(11,564)	Depreciation and impairment of fixed assets	(12,949)	
1,706	Government Grants Deferred amortisation	2,896	
(14,836)	Write downs of deferred charges to be financed from capital resources	(14,568)	
(6,200)	Net charges made for retirement benefits in accordance with FRS17	(9,700)	
(30,894)			(34,321)
2.	Amounts not included in the Income and Expenditure account but required to be included by statute when determining the Movement on the General Fund Balance for the year.		
6,233	Minimum revenue provision for capital financing	6,929	
5,498	Capital expenditure charged in-year to the General Fund Balance	2,449	
(10,718)	Transfer from usable capital receipts to meet payments to the Housing Capital Receipts Pool	(9,356)	
1,013			22
3.	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year.		
8,518	Housing Revenue Account balance	1,880	
0	Voluntary revenue provision for capital financing	830	
(1,150)	Net transfer to or from earmarked reserves	(6,591)	
7,368			(3,881)
(22,513)	Net additional amount required to be credited to the General Fund Balance for the year		(38,180)

Statement of Total Recognised Gains and Losses

2005/06 £'000s		2006/07 £'000s
21,620	(Surplus)/Deficit for the year on the Income and Expenditure Account	39,220
(16,017)	(Surplus)/Deficit arising on revaluation of fixed assets	(10,354)
14,300	Actuarial (gains)/losses on pension fund assets and liabilities	(48,300)
(3,660)	Financing adjustments	(16,303)
16,243	Total recognised (gains)/losses for the year	(35,737)

	£'000s
Assets less Liabilities 31 st March 2007	620,795
Assets less Liabilities 31 st March 2006	585,058
	(35,737)

Balance Sheet

31 March 2006 £'000s		Notes	31st March 2007	
			£'000s	£'000s
	Fixed Assets	17		
36	Intangible Fixed Assets		1,302	
	Tangible Fixed Assets			
	Operational Assets			
627,195	Council Dwellings		637,780	
329,250	Other land and buildings		334,425	
11,896	Vehicles, plant, furniture and equipment		13,113	
62,399	Infrastructure Assets		75,097	
9,524	Community Assets		11,550	
	Non-operational Assets:			
57,811	Investment properties		84,915	
20	Assets under construction		226	
1,098,131	Total Fixed Assets			1,158,408
10,237	Long-term investments	18		10,237
11,750	Long-term debtors	19		11,488
62	Deferred premiums on early repayment of debt			712
1,120,180	Total Long Term Assets			1,180,845
	Current Assets			
887	Stocks and work in progress	20		905
54,565	Debtors	21		43,996
6,695	Prepayments			5,318
19,000	Investments			34,500
3,554	Cash and Bank			6,448
1,204,881	Total Assets			1,272,012
	Current Liabilities			
(49,064)	Short-term borrowing			(35,027)
(56,679)	Creditors	22		(64,992)
(5,954)	Bank overdraft			(7,758)
1,093,184	Total Assets Less Current Liabilities			1,164,235
	Long-term Liabilities			
(282,984)	Long-term borrowing	23		(340,520)
(11,192)	Provisions	26		(13,725)
(47,332)	Government Grants Deferred	27&28		(61,436)
(13,583)	Deferred Liabilities	24		(13,123)
(1,135)	Deferred Discounts on early repayment of debt	25		(1,336)
(151,900)	Liability related to defined benefit pension scheme	8		(113,300)
585,058	Total Assets Less Liabilities			620,795
	Represented by:			
478,213	Fixed Asset Restatement Account	30		475,295
209,686	Capital Financing Account	31		204,936
7,361	Usable Capital Receipts Reserve	29		11,386
167	Deferred Capital Receipts			106
(151,900)	Pensions Reserve	8		(113,300)
8,919	General Fund Balance	32		7,879
15,509	Housing Revenue Account Balance	32		16,014
17,103	Earmarked Reserves	32		18,479
585,058				620,795

Cash Flow Statement

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

(Note 39)	31st March 2007		31st March 2006	
	£m	£m	£m	£m
Revenue Activities				
Cash Outflows				
Cash paid to and on behalf of employees	294.8		286.2	
Other Operating Expenditure	296.0		288.2	
Housing Benefit Paid Out	31.3		29.4	
National non-domestic rate payments to pool	71.5		66.6	
Precepts Paid from Collection Fund	12.7	706.3	12.1	682.5
Cash Inflows				
Rents (after rebates)	29.6		32.7	
Council Tax/Community Charge Receipts	84.5		81.3	
Non-Domestic Rates from pool	88.2		87.9	
Non-Domestic Rates collected	72.9		67.7	
Revenue Support Grant	17.0		157.5	
Grants for Council Tax and Housing Benefits	81.1		76.5	
Other Grants and Contributions	281.1		111.6	
Cash Received for Goods, Services Etc	80.6	<u>735.0</u>	83.8	<u>699.0</u>
		(28.7)		(16.5)
Returns on Investments & Servicing of Finance				
Cash Outflows				
Expenditure - Interest Paid		20.0		17.6
Cash Inflows				
Income - Interest and Dividends Received		(4.6)		(4.1)
Revenue Cash Outflow / (Inflow)		(13.3)		(3.0)
Capital Activities				
Cash Outflows				
Purchase of Fixed Assets	84.1		88.3	
Deferred Charges	19.2		14.9	
Intangible Assets	0.6		0	
Remittance to ODPM	9.0	112.9	12.0	115.2
Cash Inflows				
Capital Receipts	(16.3)		(20.3)	
Capital Grants Received	(29.5)		(18.6)	
Other Capital Cash	(27.0)	(72.8)	(29.4)	(68.3)
Net Cash(inflow) / outflow before financing		26.8		43.9
Management of Liquid Resources				
Net increase /(decrease) in short term deposits		15.5		5.0
Financing				
Cash Outflows				
Repayment of Amounts Borrowed		299.8		182.3
Cash Inflows				
New Loans Raised		<u>(343.1)</u>		<u>(236.9)</u>
INCREASE IN CASH		(1.0)		(5.7)

Notes to the Core Statements

1. Markets (Surplus)/Deficit

The Authority operates off-street markets at Bolton, Westhoughton, Horwich and Farnworth. The results exclude The Market Place costs from the time it closed for refurbishment.

The financial results of these operations are as follows:

	2006/07 £'000s	2005/06 £'000s
Income	(2,615)	(3,076)
Expenditure	2,997	2,896
(Surplus)/Deficit for Year	382	(180)

2. Agency Work

The Council did not undertake any agency work in 2006/07:

Agency	Nature of Work	2006/07 £'000s	2005/06 £'000s
North West Water	Sewer Maintenance	0	76

3. Publicity Memorandum Account

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

	2006/07 £'000s	2005/06 £'000s
Recruitment Advertising	938	1,099
Other Publicity	251	506
Other Advertising	1,480	1,046
Total	2,669	2,651

4. Parish Precepts

The following parish precept demands were made:

Parish	2006/07 £'000s	2005/06 £'000s
Blackrod	28	24
Horwich	171	172
Westhoughton	142	132
Total	341	328

5. Interest and Dividend

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

	2006/07 £'000s	2005/06 £'000s
Manchester Airport Dividend	1,250	1,250
Modesole Dividend	0	308
Interest	3,371	2,542
Total	4,621	4,100

6. 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 2006/07 the major areas of activity under this power were:

	2006/07 £'000s	2005/06 £'000s
Building Control Partnership	7	6
Payroll / Personnel/ Committee Services	12	130
Disabled Tele-communication Support	67	79
Neighbourhood Dispute Service	28	61
Financial Services	88	37
Computer Equipment	0	2
Performance Management	0	29
Technical Goods and Services	0	6
Commercial Services	517	723
Housing Beacon Events	2	0
Regional Lettings Service Development	41	0
Total	762	1,073

7. Leasing Information

In 2006/07 the value of leasing arrangements was as follows:

	Finance £'000s	Operational £'000s
Rental Paid to Lessor in 2006/07	23	444
Estimated Commitment Outstanding at 31st March 2007	0	178

The only leases generated by the Council relate to land and property. In 2006/07 £1.7m rental income was generated from premises with a net book value of £47m.

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:

Operating Lease Payments due in 2007/08	£'000s
Lease expires in 2007/08	160
Lease expires between 2008/09 and 2011/12	18
Lease expires after 2011/12	0
Total	178

Assets held under Finance Leases

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

	Gross Book Value £'000s	Accumulated Depreciation to 31/3/06 £'000s	Depreciation in the year £'000s	Net Book Value £'000s
Plant and equipment	187	(156)	(16)	15

Future amounts payable:

	£'000s
2007/08	0

8. Pensions 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 Income and Expenditure Account after Net Operating Expenditure. The following transactions have been made during the year:

Local Government Pension Scheme	2006/07 £'000s	2005/06 £'000s	2004/05 £'000s
Net Cost of Services:			
Current Service Cost	26,800	20,000	17,700
Past Service costs	1,200	1,000	500
Curtailement costs	800	500	600
Net Operating Expenditure:			
Interest cost	36,000	32,700	26,700
Expected return on assets in the scheme	(37,700)	(32,200)	(31,500)
Amounts to be met from Government Grants and Local Taxation:			
Movement on pension reserve	(9,700)	(6,200)	(100)
Actual amount charged against council tax for employer's contributions payable in the scheme.	17,400	15,800	13,900

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.

	2006/07		2005/06	2004/05
	Apr-Dec	Jan-Mar		
Percentage Contributed (%)	13.5	14.1	13.5	13.5
Amount Contributed (£'000s)	8,602	3,051	11,378	10,937

The estimated future cost of discretionary pension payments at 31st March 2007 was £33,600,000 (£34,100,000 at 31st March 2006).

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

Local Government Pension Scheme	2006/07 £'000s	2005/06 £'000s	2004/05 £'000s
Estimated Liabilities in the scheme	(736,400)	(728,800)	(599,500)
Estimated assets in the scheme	623,100	576,900	468,100
Net asset/(liability)	(113,300)	(151,900)	(131,400)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £113.3m has a substantial impact on the net worth of the Authority as recorded in the balance sheet. However statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy as the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method. This is an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme liabilities have been assessed by Hymans Robertson, an independent firm of actuaries being based on the latest full valuation of the scheme as at 31st March 2007. The main assumptions used in the calculations are:

Local Government Pension Scheme	2006/07	2005/06	2004/05
Rate of inflation	3.2%	3.1%	2.9%
Rate of increase in salaries	4.7%	4.6%	4.4%
Rate of increase in pensions	3.2%	3.1%	2.9%
Rate for discounting scheme liabilities	5.4%	4.9%	5.4%

Changes to the local government pension scheme

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2007 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have taken the view that there is insufficiently reliable evidence to assume a level of take-up of the change in the pension scheme. Consequently the valuation of the Council's retirement benefit liabilities as at 31 March 2007 does not include any allowance for this change to the pension scheme.

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

	31 March 2007		31 st March 2006		31 st March 2005	
	Long term Return %	Fund Assets %	Long term Return %	Fund Assets %	Long term Return %	Fund Assets %
Equity investments	7.8	67	7.4	66	7.7	68
Bonds	4.9	16	4.6	16	4.8	14
Other property	5.8	10	5.5	9	5.7	10
Other Cash	4.9	7	4.6	9	4.8	8
Total	6.9	100	8.5	100	6.9	100

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

Teachers Pensions:

With regard to the Teachers Pension Scheme, there were contributions of £1,623,123.73 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.

9. Transactions with Related Parties

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

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

Members of the Council determine Council's the policy.

A member has a private interest with regards Social Care provision. The council places individual contracts as required and made payments to this organisation amounting to £270,000 in 2006/07 to meet the council's 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 £315,000 in the Council's accounts.

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

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

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

Contributions, Grants & Other Receipts		2006/07	2005/06
Related Party	Description of Transaction	£'000s	£'000s
Other Local Authorities	Educational Services	942	856
	Social Services	2	0
	Environmental Services	168	0
	Magistrates share of debt charges	300	0
	Children's Social Care	141	0
Health Authority	Joint Working Arrangements	9,370	8,527
Levies from Authorities	Coroner	771	669
Sub Total re: Income Rec'd from 3rd Parties		11,694	10,052

Payments Made		2006/07	2005/06
Related Party	Description of Transaction	£'000s	£'000s
Other Local Authorities	Educational Services	328	409
	Social Services	0	109
	Environmental Services	70	0
	Magistrates share of debt charges	174	0
	Children's Social Care	79	0
Members	Allowances	805	763
	Police, Fire & Civil Defence	12,670	12,086
Precepting Authorities	Parishes	344	328
	Speech Therapy	98	84
Primary Care Trust Levies from Authorities	Transport Board Levy	15,224	12,424
	Waste Disposal Authority	12,039	10,375
	Land Drainage Precept	117	114
	S48	360	354
	Urban Traffic Control	470	297
	County Records	0	24
	NW Regional Chamber	9	0
	AGMA Secretariat	101	187
	Total re: Payments Made		42,888

10. Remuneration of Employees

In 2006/07 the numbers of employees earning more than £50,000 were as follows:

	Teachers		Other Staff	
	2006/07	2005/06	2006/07	2005/06
£50,000 - £59,999	45	35	17	24
£60,000 - £69,999	13	10	12	16
£70,000 - £79,999	5	5	18	12
£80,000 - £89,999	2	0	1	5
£90,000 - £99,999	0	0	4	2
£100,000-£109,999	0	1	1	1
£110,000-£119,999	1	0	0	0
£120,000-£129,999	0	0	1	2
£130,000-£139,999	0	0	0	0
£140,000-£149,999	0	0	0	1
£150,000-£159,999	0	0	1	0

11. Building Control Trading Account

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

Building Control Trading Account						
	Chargeable £'000s		Non Chargeable £'000s		Total Building Control £'000s	
	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06
Expenditure:						
Employee Expenses	437	352	342	277	779	629
Premises	1	19	1	15	2	34
Transport	15	13	12	10	27	23
Supplies & Services	122	111	(245)	234	(123)	345
Central & Support Service Charges	79	47	78	52	157	99
Total Expenditure	654	542	188	588	842	1,130
Income:						
Building Regulation Charges	832	632	0	0	832	632
Miscellaneous Income	0	0	8	26	8	26
Total Income	832	632	8	26	840	658
(Surplus) / Deficit for Year	(178)	(90)	180	562	2	472

12. Amounts Charged for External Loan Finance

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

	2006/7 £'000s	2005/06 £'000s
Balance at Beginning of Year	363,969	315,395
Advances in Year	62,610	58,368
Repayments in Year:		
General Fund	6,684	6,233
HRA	0	2,993
Capital	313	63
Repayments by 3rd parties	141	505
Balance at End of Year	419,441	363,969

13. Audit Fees

The following summarises the audit fees paid:

	2006/07 £'000s	2005/06 £'000s
Fees paid with regard to external audit services carried out by the appointed auditor under the Audit Commission Code of Practice in accordance with Section 5 of the Audit Commission Act 1998: To KPMG	243	204
Fees paid to the Audit Commission in respect of statutory inspection under Section 10 of the Local Government Act 1989	19	17
Fees paid with regard for the certification of grant claims and returns, by the appointed auditor under Section 28 of the Audit Commission Act 1998: To KPMG	100	155
Fees paid in respect of any other services provided by the appointed auditor: KPMG	13	0

The fees paid to KPMG for other services relate to a special investigation.

14. Pooled Budgets

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

Assisting Adults with Learning Disabilities as per the White Paper, Valuing People		
	2006/07	2005/06
	£'000s	£'000s
Bolton Primary Care Trust Funding	(233)	(279)
Expenditure:		
Support for Carers	24	23
Parent User Group		4
Modernising Day Services		2
Valuing People Implementation Officer	39	38
PCP Development Worker	33	34
Advocacy	31	31
Consultancy		25
Ethnicity		4
Computer Purchase		1
PCP	0	13
Postural Care Equipment		10
Autism		2
Inclusion & Participation/Ethnicity Development Worker	68	58
Housing Research Payment	8	8
Laptop and Projector		2
Contribution to Bolton CVS		21
Contract		
Sharing the Knowledge	3	2
Partnership Board	1	3
Liaison Nurse	11	
Service User Reference Group	1	
Greater Manchester Joint Project	1	
IT Equipment	9	
Bolton Care 4 LD	4	
Net (Underspend)/Overspend	0	2

Integrated Community Equipment Store to support vulnerable people		
	2006/07	2005/06
	£'000s	£'000s
Income:		
Bolton Primary Care Trust Funding	(213)	(227)
Bolton MBC	(786)	(781)
Expenditure:		
Employees	208	181
Premises	130	129
Transport	34	33
Equipment	628	675
Net (Underspend)/Overspend	1	10

15. Business Improvement District

These accounts represent the transactions of the Business Improvement District (BID) and are made under the Business Improvement Districts (England) Regulations 2004 schedule 3. This is a scheme under the Local Government Act 2003 whereby non-domestic ratepayers in the area concerned elect via a ballot to pay a supplementary rate to be used for the purpose of making various improvements in the area. This is administered by the Industrial Estate Partnership Business Improvement District Limited (IEP Bid Ltd, a partnership between Bolton MBC and the businesses in the BID area) to whom the Council make payments based on estimates of the amounts to be collected from the supplementary rate. The costs of administering collection are shown in a separate account for the purposes of clarity. The accounts have been prepared on the accruals basis.

BID Income and Expenditure Account

	Notes	2006/07 £'000s
Income		
BID levy		368
Expenditure		
Payments to IEP BID Ltd		337
Provision for bad debt		5
Write Offs		2
		344
Surplus/(Deficit) for the Year		24
Surplus at Beginning of Year		0
Surplus at End of Year	1	24

1 Surplus at End of Year

The £24k surplus is carried forward for the sole use of the IEP BID in 2007/08.

BID cost of collection Income and Expenditure Account

	Notes	2006/07 £'000s
Income		
BID Admin costs invoiced to IEP BID Ltd		24
Recovery costs raised		8
		32
Expenditure		
Staffing		13
BID Software/Maintenance		16
Provision for bad debt		3
		32

16. Trading Account Statements

Summary Revenue Account

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

Activity	2006/07			2005/06
	Income	Expenditure	(Surplus) / Deficit	(Surplus) / Deficit
	£'000s	£'000s	£'000s	£'000s
Security & Response	1,896	1,906	10	80
Schools and Welfare Catering *	6,909	7,409	500	64
Fleet Management *	11,299	11,068	(231)	(141)
Building Cleaning *	3,528	3,763	235	79
Legal	1,771	1,721	(50)	0
Images	488	619	131	61
(Surplus) Deficit	25,891	26,486	595	143

* For financial accounting purposes the surpluses and deficits on these activities have been reallocated to client accounts to avoid distorting reported costs. The responsibilities for future recovery/use of balances remain with trading account management.

17. Fixed Assets

17.1 Bases of Valuation

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

 Housing Revenue Account properties were valued by the North West District Valuer.
- Operational Property**
 Is valued by qualified valuers employed by the Authority.
- Non-Operational Property**
 Is included at market value as assessed by qualified valuers.

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

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

- **Leased Assets**

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

- **Vehicles, Plant & Equipment**

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

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

17.2 Movements in Fixed Assets

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

Fixed Assets	Net Book Value 1st April 2006 £'000s	Additions 2006/07 £'000s	Disposals 2006/07 £'000s	Revalued 2006/07 £'000s	Depreciation £'000s	Other Adjustments 2006/07 £'000s	Net Book Value 31st March 2007 £'000s
Intangible	36	583			(16)	699	1,302
Council Dwellings	627,195	53,051	(8,073)	(20,159)	(14,234)	0	637,780
Operational Property	329,250	14,149	0	2,250	(6,618)	(4,606)	334,425
Community Assets	9,524	2,880	0	615	0	(1,469)	11,550
Infrastructure	62,399	12,551	0	0	(2,387)	2,534	75,097
Vehicles, Plant, etc.	11,896	6,816	(29)	0	(3,268)	(2,302)	13,113
Work in progress	20	194	0	0	0	12	226
Investment Properties	57,811	3	(292)	19,742	(3)	7,654	84,915
Assets sold in year			(7,906)	7,906			0
Total	1,098,131	90,227	(16,300)	10,354	(26,526)	2,522	1,158,408

Analysis of Opening Balance	Gross Book Value 1st April 2006 £'000s	Cumulative Depreciation £'000s	Net Book Value 1st April 2006 £'000s
Intangible Assets	36		36
Council Dwellings	640,554	(13,359)	627,195
Operational Property	356,349	(27,098)	329,250
Community Assets	9,963	(440)	9,524
Infrastructure	62,461	(63)	62,399
Vehicles, Plant, etc.	18,352	(6,456)	11,896
Work in progress	20		20
Investment Properties	59,801	(1,989)	57,811
Total	1,147,536	(49,405)	1,098,131

17.3 Impairment

Where assets have been subject to "impairment" i.e. a one-off loss of value not reflected in depreciation (e.g. fire damage), that loss of value should be charged to revenue in the year in which the loss occurred following similar entries to those for depreciation

17.4 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	
	2006/07 £'000s	2005/06 £'000s	2006/07 £'000s	2005/06 £'000s	2006/07 £'000s	2005/06 £'000s	2006/07 £'000s	2005/06 £'000s
Loans	57,261	53,073	5,338	5,290	0	6	62,599	58,369
Capital Receipts	2,452	2,856	569	2,279	521	0	3,542	5,135
Grants	16,319	18,864	11,688	6,946	14	0	28,021	25,810
Revenue (includes Major Repairs Allowance)	14,335	12,461	55	42	0	0	14,390	12,503
Reserves	0	207	378	3	0	0	378	210
External Financing	258	359	10	297	0	0	268	656
Changes in creditors and under financing	(982)	4,095	1,170	(33)	49	0	237	4,062
Total Capital Expenditure	89,643	91,915	19,208	14,824	584	6	109,435	106,745

17.5 Sources of Finance for Capital Expenditure on Fixed Assets

An analysis of major fixed assets as at 31 March 2007 has been provided by Corporate Property Services using their Property Holding Model and is given below. In addition there are various items of vehicles, plant and equipment.

PROPERTY HOLDING MODEL - ASSETS															
31 March 2007															
Committee	Operational						Investment & Non Operational						Surplus Property (Vacant)		
	Direct Service	06/07	05/06	Support Service	06/07	05/06	Pure Investment	06/07	05/06	Council Objective	06/07	05/06		06/07	05/06
Education and Culture	Schools	173	182							Community Centres	7	7			
	Pupil Referral Units	16	17							Youth Centres	14	13			
	Museums	4	1							Other		2			
	Leisure Centres	11	11												
	Libraries	13	13												
Environment	Highways	7	7							Starter units	8	8			
	Principal Roads	101km	101km							Enterprise Centre	1	1			
	Classified Non-principal Roads	95km	96km							Car Parks	79	88			
	Unclassified Roads/Footpaths	966km	930km							Conveniences	13	13			
Housing HRA	Council Houses/Land	18,497	19,767	Estate Offices	32	32	HRA Ground Rents	10	5	Estate Shops	28	30			
	Sundry Properties	2	50	Residents Association Premises	5										
Housing GRF	Homeless Hostels	13		Sheltered Accommodation Community Centres	1	7									
	Caravan Site	1	1	GRF Miscellaneous	6	1									
Social Services	Day Care Centre	12	11												
	Residential Homes	12	16												
Corporate Resources				Admin Buildings	39	35	Garden Tenancies	46	46	Markets	4	4	Land and Buildings	181	105
				Depots	6	6	Garages	113	117	Smithills Estate	63	63			
				Training Centre		1	Shops	18	19	Sure Start	7	7			
							Offices	14	14	connexions		1			
							Industrial	13	13						
							Farms	6	6						
							Ground Rents	887	834						
							Advert Hoardings	1	1						
							Grazing Land	21	19						
							Commercial	37	35						
							Misc Residential	8	8						
	Corporate Resources Property Review Interim Holding Account	Crematorium	1	1	Open Space	369	260				Allotments	29	29		
Cemeteries		19	19	Community Education	10	9				Golf Courses		2			
Parks		124	124												

18. Long Term Investments

The following table identifies the long-term investments held as at 31st March 2007: -

Investment – Shares	31st March 2007 £'000s	31st March 2006 £'000s
Manchester Airport Group P.L.C.	10,214	10,214
J.P. Morgan	23	23
Total	10,237	10,237

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

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

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

- J.P. Morgan are investments held for the benefit of the Maintenance of Graves in Perpetuity account which was previously a Trust Fund.

19. Long Term Debtors

	31st March 2007 £'000s	31st March 2006 £'000s
Advances to Manchester Airport PLC	8,761	9,019
Mortgages	53	105
Turton School Governors	5	14
Tennis Arena Trust	607	462
Industrial Loans	100	109
Former Magistrates Authorities (10 Greater Manchester Districts)	1,962	2,041
Total	11,488	11,750

20. Stocks

	31st March 2007 £'000s	31st March 2006 £'000s
Stocks	905	887
	905	887

21. Debtors

The debtors can be analysed as follows:

	31st March 2007 £'000s	31st March 2006 £'000s
Council Tax etc	10,013	9,205
Business Rates	1,936	2,764
Council House Rents	2,507	2,950
Central Government and Other Non-Departmental Government Bodies	3,127	12,324
H.M. Customs & Excise / Inland Revenue	6,266	8,900
Mortgages	22	23
Other Local Authorities	647	333
Car Purchase Schemes	131	180
Sundry Debtors	23,830	25,242
Capital Debtors	6,293	3,213
Sub Total	54,772	65,134
Less: Provision for Bad Debts	(10,776)	(10,569)
Total	43,996	54,565

22. Creditors

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

	31st March 2007 £'000s	31st March 2006 £'000s
Tax and National Insurance	6,444	5,872
Superannuation	4,020	3,586
Other Local Authorities	376	1,114
Central Government Department	5,402	7,281
Capital Creditors	11,846	9,083
Treasury Management creditors	7,289	1,732
Developers Deposit accounts	298	514
Sundry Creditors	29,317	27,497
Total	64,992	56,679

23. Long Term Borrowing

Source of Loan	Interest Rates %	Total Outstanding 31 st March	
		2006/07 £'000s	2005/06 £'000s
Public Works Loans Board	2.5 to 13.75	278,110	230,732
Bonds	3.85 to 12.125	62,250	52,250
Mortgages	3.333	1	1
Total Borrowing		340,361	282,983
Less: Due Within 12 Months on Demand		(1,131)	(622)
		339,230	282,361
An Analysis of Loans by Maturity at 31 st March :-			
Amounts of Principal to be Repaid			
In 1 to 2 Years		618	5,131
In 2 to 5 Years		3,706	8,424
In 5 to 10 Years		7,785	7,522
After 10 Years		327,121	261,284
		339,230	282,361

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

	2006/07 £'000s	2005/06 £'000s
Within 1 Year	547	24
1 - 2 Years	62	4,597
2 - 5 Years	2,696	7,004
5 - 10 Years	5,550	6,089
After 10 Years	331,506	265,269
Total Borrowing	340,361	282,983

24. Deferred Liabilities

	Total Outstanding at 31st March	
	2006/07 £'000s	2005/06 £'000s
Former G.M.C. Debt (i)	12,723	13,183
Former L.C.C. Debt (ii)	384	384
Other (iii)	16	16
Total	13,123	13,583

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

25. Deferred Capital Credits

Deferred capital credits are amounts derived from the sale of assets or other credits which will be received in instalments over agreed periods of time. At 31st March 2007 the Authority held £1,336,000 (£1,240,000 at the 31st March 2006).

26. Provisions

	1 st April 2006	Receipts In Year	Payments In Year	31 st March 2007
	£'000s	£'000s	£'000s	£'000s
Self Insurance – Liability and Fire (1)	11,059	4,356	2,312	13,103
Industrial Estates Dilapidation	48	338	301	85
Other	85	34	(8)	127
Equal Pay (2)	0	410	0	410
Total	11,192	5,138	2,605	13,725

Notes

- (1) In accordance with FRS 12 the Insurance Liabilities at 31st March 2007 are estimated to be £13,103,000. An Insurance Reserve has been set up to hold any surplus or deficit on the Insurance Provision.
- (2) In 2006/07 the Council was involved in an Equal Pay dispute over the bonus payments given to certain types of manual jobs. After legal advice the Council decided to make the individuals concerned a compensation offer. This provision was set up to reflect the individuals who declined the offer.

27. Capital Grants Unapplied

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

	Capital Grants £'000s	
	2006/07	2005/06
Balance at Beginning of Year	796	1,017
add:-		
Receipts in Year	29,219	23,292
less:-		
Applied During the Year:-		
Capital Financing	(14,357)	(6,334)
Transfer to Deferred Grants A/c	(12,930)	(16,990)
Other Application	0	(189)
Balance at End of Year	2,728	796

28. Capital Grants Deferred

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

	Capital Grants Deferred £'000s	
	2006/07	2005/06
Balance at Beginning of Year	46,535	32,773
Grants Received in Year	13,192	16,990
Transfer to Asset Management Revenue Account	0	(1,539)
Transfers to Other Accounts	(1,020)	(1,689)
Balance at End of Year	58,707	46,535

29. Useable Capital Receipts Reserve

These are capital receipts that have not been used to finance capital expenditure or to repay debt.

	Total 2006/07 £000's
Balance of usable receipts at 1 st April 2006	(7,361)
Receipts in year	(16,322)
Capital Receipts applied in year	3,085
Pooling of Housing Capital Receipts	9,016
Capital Receipts used to repay external loans	196
Balance of usable receipts at 31st March 2007	(11,386)

30. Fixed Asset Restatement Account

This account is adjusted by the net book value of assets as they are disposed of and to reflect revaluations. The account is not available to supplement the Council's spending programmes.

	Total 2006/07 £000
Balance at 1 st April 2006	(478,213)
Revaluation of Fixed Assets	(10,363)
Disposal of Fixed Assets in Year	8,406
Prior Year Adjustments re Fixed Assets Value	(1,538)
Retirements	6,413
Balance at 31st March 2007	(475,295)

31. 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.

	Total 2006/07 £'000s
Balance at 1st April 2006	(209,686)
I & E Appropriation	(4,749)
Capital Financing	(545)
Depreciation	10,044
Balance at 31st March 2007	(204,936)

32. 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.

	1st April 2006 £'000s	Receipts £'000s	Payments £'000s	31st March 2007 £'000s
Earmarked Statutory Reserves				
Schools - Delegated Budgets	3,985	0	(395)	3,590
Trading Accounts	70	66	(67)	69
Housing Revenue Account	15,509	1,889	(1,384)	16,014
Collection Fund	1,009	1,000	(1,000)	1,009
Total Earmarked Statutory Reserves	20,573	2,955	(2,846)	20,682
Earmarked Policy Reserves				
Insurance	1,349	67	0	1,416
Other Central Reserves	8,929	11,685	(12,254)	8,360
Education	(237)	4,357	(164)	3,956
Environmental Services	(1,882)	(352)	(226)	(2,460)
Development and Regeneration	704	781	(588)	897
Housing G.R.F.	1,888	1,165	(1,419)	1,634
Adult Services	1,960	81	(501)	1,540
Markets - Bridging Fund	(1,319)	0	0	(1,319)
- other funds	589	76	(936)	(271)
Challenge Funded Schemes	58	0	0	58
Total Earmarked Policy Reserves	12,039	17,860	(16,088)	13,811
General Fund Balance	8,919	0	(1,040)	7,879
Total Reserves & Balances	41,531	20,815	(19,974)	42,372

33. Long Term Obligations

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

The Council has entered in to an agreement with Bolton Community Leisure to lease (at a peppercorn) and manage indoor leisure facilities for a period of 15 years and 3 months from January 2004. The Council will grant fund the Trust during that period.

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

34. Significant Commitments under Capital Contracts

The Authority is committed to undertake the following expenditure:

<u>Approved And Contracted Schemes</u>		£'000s
<u>Children's Services</u>		
Greenfold, Cherry Tree and St Germain		4,247
<u>Corporate Resources</u>		
Refurbishment of vacated central police station		800
Total		5,047

<u>Schemes Approved But Not Contracted</u>		£000s
<u>Corporate Resources</u>		
Asset Management Plan		2,000
<u>Housing</u>		
GRF Capital Program		8,132
HRA Capital Program		42,867
<u>Children's Services</u>		
Withins Firwood		2,000
Hayward Targeted Capital Fund		8,900
Building Maintenance Programme		2,000
Asset Management Plan Priorities		1,277
Total		67,176

35. Contingent Liabilities

- **Municipal Mutual Insurance Ltd**

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

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

With regard to claims prior to April 1993 these are still funded by MMI under a scheme of arrangement with its creditors, whereby claims are initially paid out in full, but in the event that the eventual winding up of the company results in insufficient assets to meet all liabilities, a claw back clause will be triggered which would affect claims already paid. At the present time it is not known whether the claw back clause will be invoked and therefore, no provision for the potential liability has been made in the balance sheet

- **Independent Insurance**

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

- **Repayment of Government Grants**

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

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

- **Modesole Ltd**

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

- **Equal pay compensation**

Under the Equal Pay Act 1970 as modified by the Equal Pay Act (Amendment) Regulations 2003 employees may lodge claims for compensation from their employer for failing to give equal pay for work of equal value. During 2006/07 an offer was made and accepted by 2,160 employees and the cost of these payments and the associated Tax and National Insurance liabilities has been charged to the 2006/07 accounts. 90 employees had not accepted the offer, which have a combined value of £410,256, as at the 31st March 2007 and a provision has been made in the balance sheet for this amount. No provision has been made in the balance sheet for any potential liabilities arising from claims progressed through the Employment Tribunal. The Council will vigorously contest any such claims and does not anticipate any further cost arising from them.

36. 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.

37. 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.

	2006/07 £m	2005/06 £m
General Fund	118	119
HRA	490	504
Trading Organisations	9	9
Total	617	632

38. Dedicated Schools Grant

The Council's expenditure is funded by grant monies provided by the Department for Education and Skills, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget. The Schools' Budget included elements for a restricted grant for services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends are required to be accounted for separately.

Details of the deployment of DSG receivable for 2006/07 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure	Individual Schools Budget	Total
	£'000s	£'000s	£'000s
Original Grant allocation to Schools Budget for the current year in the Authority's budget	15,060	141,093	156,153
Adjustment to finalised grant allocation	10	198	208
DSG receivable for the year	15,070	141,291	156,361
Actual Expenditure for the year	13,550	141,920	155,470
(Over)/Underspend for the year	1,520	(629)	891
Planned top-up funding of ISB from council resources	0	0	0
Use of schools balances brought forward	0	3,985	3,985
Write out of closed schools balances	(292)	292	0
Interest on schools balances c/fwd to 2007/08	0	140	140
(Over)/Underspend from prior year	(761)	0	(761)
(Over)/underspend carried forward to 2007/08	467	3,788	4,255

The carry forward can be further analysed as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure	Individual Schools Budget	Total
	£'000s	£'000s	£'000s
DSG Debtor	467	198	665
Schools Balances	0	3,590	3,590

39. Notes to the Cash Flow Statement

1 Cash Flow Reconciliation

The cash flow statement can be reconciled to the Statement of Movement on the General Fund Balance as follows:

	2006/07 £m	2005/06 £m
Surplus as per the Statement of Movement on the General Fund Balance	1.0	(0.9)
Adjustments for Non-Cash Movements in Revenue Account		
:		
Collection Fund Deficit	0	(0.1)
HRA Surplus	0.3	(9.0)
Other Reserves	8.5	(1.7)
Change in Provisions	(2.5)	(1.2)
Change in Debtors and Prepayments	(15.1)	8.9
Change in Stocks	0	(0.1)
Change in Creditors	(5.5)	1.1
Net Revenue Cash Outflow / (Inflow)	(13.3)	(3.0)

2 Movements in Cash

Movements in Cash	31 st March 2007 £m	31 st March 2006 £m	(Increase) / Decrease in Cash £m
Bank Overdrawn	7.8	6.0	(1.8)
Cash and Bank	(6.4)	(3.6)	2.8
TOTAL Overdrawn	1.4	2.4	1.0

3 Movement in Liquid Resources

Movements in Short Term Investments	31st March 2007 £m	31st March 2006 £m	Increase / (Decrease) £m
Opening Balance	19.0	14.0	5.0
Invested in the year	149.3	122.0	27.3
Redeemed in the year	133.8	117.0	16.8
Closing Balance	34.5	19.0	15.5

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

	Balance 1st April 2006 £m	Movement in the year £m	Non – Cash £m	Balance 31st March 2007 £m
Cash overdrawn	(6.0)	(1.8)		(7.8)
Cash in hand	3.6	2.8		6.4
Long-term borrowing	(283.0)	(58.0)	0.6	(340.4)
Short-term borrowing	(49.1)	14.7	(0.6)	(35.0)
Short-term investments	19.0	15.5		34.5
NET DEBT	(315.5)	(26.8)	0	(342.3)

5 Government Grants & Contributions

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

	31st March 2007	31st March 2006
	£m	£m
Dedicated Schools Grant	156.4	0
Housing Subsidy	9.7	10.6
Standards Fund / Grant / Threshold	37.8	26.1
Learning and Skills Council	9.0	11.0
District Health Contributions	9.2	8.5
SRB	5.9	8.8
Neighbourhood Renewal Fund	5.4	5.4
Supporting People	9.3	3.0
Sure Start	3.1	6.0
Access & Systems Capacity / Other Social Care	1.9	8.8
Government Connect	3.6	0
Pump Priming /	0	2.9
Children's Centres	2.5	0
Children's Fund	1.1	1.0
Other Grants	26.2	19.5
Total	281.1	111.6

40. 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: -

	Balance at 1 st April 2006	Income	Expenditure	Balance at 31 st March 2007	Represented by		
					Cash / Other Balances	External Investment	Total
	£	£	£	£	£	£	
Commercial Services							
Red Lion Playing Field Trust	1,952.08	0	0	1,952.08	1,952.08	0	1,952.08
F. Greenhalgh Prize	76.75	0	0	76.75	76.75	0	76.75
Topps Trust Fund	20,378.01	0	6,923.84	13,454.17	13,454.17	0	13,454.17
War Graves	445.15	0	0	445.15	445.15	0	445.15
Social Services							
Social Services Bequests	69,132.11	2,911.30	12,074.50	59,968.91	59,968.91	0	59,968.91
General Assistance	48,332.17	1,965.58	0	50,297.75	50,297.75	0	50,297.75
Workshops & Homes for the Elderly	60,897.91	2,476.60	1,126.00	62,248.51	62,248.51	0	62,248.51
Blair Sick Fund	9,375.70	456.73	0	9,832.43	8,201.88	1,630.55	9,832.43
Helen Hartley	1,275.42	51.87	0	1,327.29	1,327.29	0	1,327.29
Education							
C. Westhead	675.46	38.50	0	713.96	598.80	115.16	713.96
Leigh Bramwell	19,437.23	26,379.93 *	1,200.00	44,617.16	29,167.16	15,450.00	44,617.16
Sister Alice Ingham	728.35	16.46	0	744.81	349.91	394.90	744.81
J. Goodenday	49,854.58	3,297.67	0	53,152.25	51,675.81	1,476.44	53,152.25
McAvoy	1,694.74	93.93	0	1,788.67	1,558.17	230.50	1,788.67
Westhoughton Education Trust	25,010.17	911.05	280.00	25,641.22	3,585.82	22,055.40	25,641.22
Eagley Bridge	9,077.27	617.59	470.00	9,224.86	4,969.86	4,255.00	9,224.86
Environment							
Section 278 Agreement: Highways Works	294,891.09	12,794.63	0	307,685.72	307,685.72	0	307,685.72
Total	613,234.19	52,011.84	22,074.34	643,171.69	597,563.74	45,607.95	643,171.69

* This includes £25,005.76 income which is a capital receipt earmarked for investment

41. Post Balance Sheet Events

The Council is required to disclose two types of events between the end of the financial year (31st March 2007) and the date on which the Statement of Accounts are issued (20 June 2007).

One type relates to events which give rise to further information about transactions prior to the end of the financial year. No such events have occurred.

The second type of disclosure relates to events after the financial year which should be noted but do not affect the accounts under consideration. In this context it should be noted that since March 31st Adult Services as part of the budget reduction target have allowed 44 staff to take Voluntary Early Retirement at a one-off cost of £537k (£402k redundancy and £135k added years lump sum) and an annual cost of £48k (added years ongoing costs). These payments are to be funded by a combination of earmarked reserves and in-year savings options.

Housing Revenue Account HRA

Income and Expenditure Account

	2006/07	2005/06
	£'000s	£'000s
Income		
Dwellings (Note 1)	44,685	42,990
Non-Dwelling	176	162
Charges for services and facilities	361	265
Contribution towards expenditure (from General Fund (Note 5))	544	528
NRF & other grants	27	34
HRA Subsidy Receivable (Note 4)	9,643	10,596
Total Income	55,436	54,575
Expenditure		
Repairs and Maintenance (Note 2)	13,128	9,451
Supervision and Management	16,720	15,846
Rents, rates taxes and other charges	91	291
Increase in Bad Debt Provision (Note 3)	198	570
Housing Benefit Payments	0	212
Depreciation (Note 10)	14,829	13,730
Debt Management Costs	92	90
Total Expenditure	45,058	40,190
Net Cost of HRA Services per Authorities income & expenditure account	(10,378)	(14,385)
Net Cost of HRA services	(10,378)	(14,385)
Interest Payable	11,016	9,447
Amortisation of premiums and discounts	(74)	(73)
Interest and Investment Income	(312)	(355)
(Surplus) or deficit for the year on HRA services	252	(5,366)

Statement of Movement on the HRA Balance

(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	252	(5,366)
Net additional amount required by statute to be debited to the HRA balance	(2,132)	(3,152)
Increase or decrease in the Housing Revenue Account Balance	(1,880)	(8,518)
Housing Revenue Account surplus b/f	(10,739)	(2,221)
Housing Revenue Account Balance c/f	(12,619)	(10,739)

Note to the Statement of Movement on the HRA Balance

Transfer to/from major repairs reserve	(4,132)	(3,152)
Capital expenditure funded by HRA	2,000	-
	(2,132)	(3,152)
Net additional amount required by statute to be debited or credited to the HRA	(2,132)	(3,152)

Notes to the Housing Revenue Account

1 Housing Revenue Account Stock

The Council owned 18,497 dwellings at 31st March 2007 which are analysed below:

	At 31 st March 2007	At 31 st March 2006
Houses and Bungalows	12,317	12,626
Low Rise Flats and Maisonettes	4,757	4,763
Medium Rise Flats and Maisonettes	1,094	1,094
High Rise Flats and Maisonettes	282	283
Shared Ownership	0	1
	18,497	18,767

2 Housing Repairs Account

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

	2006/07 £'000s	2005/06 £'000s
Balance at Beginning of Year		0
Add		
Revenue Contribution	11,865	9,176
	11,865	9,176
Less: Expenditure in the Year		
Responsive Repairs	11,865	9,176
Balance at End of Year	0	0

In 2005/2006 other maintenance work totalling £275k had been undertaken in the year but not funded through the repairs account, giving an overall total of £9,451,186. In 2006/2007 other maintenance work totalling £442k had been undertaken. The client cost of managing the R&M programme (821k) has now also been reflected under Repairs and Maintenance Costs. This gives overall R&M costs of £13,128k.

3 Rent Arrears

	At 31st March 2007 £'000s	At 31st March 2006 £'000s
Current Tenants	1,259	1,429
Former Tenants	1,248	1,456
Non HRA rent arrears		57
Total Arrears at 31 March	2,507	2,942

The total provision for uncollectable debts at 31st March 2007 was £1,724,334. The provision at 31st March 2006 was £2,072,583.

4 Housing Revenue Account Subsidy

The subsidy due for the year is detailed below:

	At 31st March 2007 £'000s	At 31st March 2006 £'000s
Management and Maintenance & Rent Allowance	(18,641)	(17,960)
Charges for Capital	6,984	7,403
Major Repairs Allowance (see also note 10)	10,696	10,578
ALMO revenue subsidy	10,602	10,602
	9,641	10,623
Prior Year Adjustment	2	(27)
Total Subsidy Due for the Year	9,643	10,596

5 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.

6 Value of Capital Assets

	At 31st March 2007 £'000s	At 31st March 2006 £'000s
Operational Assets		
Dwellings	637,760	627,196
Buildings	5,327	3,821
	643,087	631,017
Non Operational		
Equipment	1,509	1,750
Land	286	286
Total	644,882	633,053

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

The open market value of council dwellings at 31st March 2006 is £1,265.0m compared to £1,262m as at 31st March 2005. 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.

7 Capital Expenditure 2006/07

Capital expenditure for the year totalled £53,987k and has been financed as follows:

	2006/07 £'000s	2005/06 £'000s
Loans	39,845	40,862
Major Repairs Allowance (See also note 9)	12,000	6,914
Capital Receipts	562	0
Grants	523	186
Revenue	2,000	0
Change in Capital Creditors	(943)	3,168
Total Capital Expenditure	53,987	51,130

Capital Expenditure was incurred over the following assets

	2006/07 £'000s	2005/06 £'000s
Council Housing	53,051	49,031
Non operational Assets	671	1,025
Equipment	265	1,074
Total Capital Expenditure	53,987	51,130

8 Capital Receipts 2006/07

The following capital receipts were received in the year:

	2006/07 £'000s	2005/06 £'000s
Sale of Dwellings	13,158	15,157
Sale of Land	407	901
Other property	61	
Total Capital Receipts	13,626	16,058

9 Major Repairs Account

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

	2006/07 £'000s	2005/06 £'000s
Balance at Beginning of Year	4,431	767
Add: depreciation charged to HRA (see Note 10)	14,829	13,730
Add: Difference between Major Repairs allowance and depreciation charged to revenue	(4,132)	(3,152)
	15,128	11,345
Less: Expenditure in the Year		
Contribution to capital programme	12,000	6,914
Balance at End of Year	3,128	4,431

At year end, the depreciation charge was higher than the Major Repairs Allowance. Government rules require that the difference between the depreciation charges (£14,829m) and the Major Repairs Allowance (£10.696m) is transferred to the Major Repairs Reserve in order to ensure it is used to fund capital works. Therefore the higher depreciation charge has a neutral effect on the Housing Revenue Account

10 Depreciation Charges

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

	2006/07 £'000s	2005/06 £'000s
Operational Assets : dwellings	14,235	13,358
Operational Assets : other land & buildings	88	79
	14,323	13,437
Equipment	506	292
Total Depreciation Charged	14,829	13,729

The depreciation policy remains the same as that used in 2005/06.

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

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

	Notes	2006/07 £'000s	2005/06 £'000s
Income			
Council Tax	1	85,251	80,752
Transfers from General Fund:			
Council Tax Benefit		18,754	17,894
Council Tax Transitional Relief		0	0
Business Rates	2	72,035	67,199
Community Charges		0	0
		176,040	165,845
Expenditure			
Precepts and Demands	3	102,004	97,104
Business Rates:			
Payment to National Pool		71,541	66,646
Cost of Collection Allowance		398	397
Interest on Refunds		96	156
Council Tax Bad and Doubtful Debts / Appeals:			
Provisions		527	(482)
Write Offs		597	1,135
Contribution towards Previous Years' Estimated Collection Fund Surplus		877	800
		176,040	165,756
Surplus/(Deficit) for the Year		0	89
Surplus at Beginning of Year		1,009	920
Surplus at End of Year		1,009	1,009

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 2006/07 in the following table:

	Range of Values	Total Number of Dwellings After Adjustments *	Specified Fraction	Band D Equivalent	% of Total Band D
Band A	Up to £40,000	51,165	6/9	34,110	41.7%
Band B	£40,000 to £52,000	16,775	7/9	13,047	16.0%
Band C	£52,001 to £68,000	15,564	8/9	13,835	17.0%
Band D	£68,001 to £88,000	9,011	1	9,011	11.1%
Band E	£88,001 to £120,000	4,671	11/9	5,709	7.0%
Band F	£120,001 to £160,000	1,893	13/9	2,734	3.4%
Band G	£160,001 to £320,000	1,616	15/9	2,694	3.3%
Band H	More than £320,000	189	18/9	378	0.5%
Total		100,884		81,518	100.0%

Estimated collection rate 98%

Council Tax base for tax setting 2006/07 79,887

* 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 (42.6p in 2006/07, compared to 41.5p in 2005/06) 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:

	£'000s	£'000s
Gross Rates		83,573
Less: Transitional and Other Relief Arrangements		(10,312)
		73,261
Less: Bad Debts / Provision for Bad Debts		(1,226)
		72,035
Cost of Collection Allowance	(398)	
Interest on Refunds	(96)	(494)
Net Contribution to N.N.D.R. Pool		71,541

The NNDR rateable value for the Council's area at the 31st March 2007 was £202,603,856 compared to £202,156,182 at the 31st March 2006.

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 £88,242,112 in 2006/07 (approximately £333.20 per head of a population of 264,833). 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 2006/07, with the figures for 2005/06 for comparison:

	2006/07 £'000s	2005/06 £'000s
Bolton M.B.C. Demand	89,334	85,017
Greater Manchester Police Authority Precept	8,928	8,486
Greater Manchester Fire and Civil Defence Authority Precept	3,742	3,601
Total Demands and Precepts	102,004	97,104

Group Accounts

1 Bolton at Home Ltd

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

Group Revenue Account

The accounts for Bolton at Home Ltd covering the twelve months to 31st March 2007, subject to audit, show a net profit of £66,000 for the year on turnover of £46.2m and net book value of £119,000 (before FRS17 Pensions adjustment). In the previous 12 month period to 31st March 2006 the company had a turnover of £45.8m and made a profit of £35,000.

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 introduction of FRS17 adjustment for Bolton at Home Ltd restatement.. The previous year figures have been reorganised in to the format required.

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

Income and Expenditure Account

2005/06 Net Exp		2006/07		
		Gross Exp £ms	Gross Income £ms	Net Exp £ms
	Continuing Services			
333.1	General Fund	635.1	406.6	228.3
(16.8)	Housing Revenue Account	42.8	55.4	(12.6)
0	Disposal of Fixed Assets	0	0	0
316.3	Net Cost of Services	677.9	462.0	215.7
0.3	Parish Precepts			0.3
0.3	Trading Account Gross (Surplus) / Deficit			1.2
12.0	Capital Receipts Pooling			9.4
0.3	Pension Interest Cost and expected return on Pension assets			(2.0)
(4.1)	Interest & Dividends received			(4.6)
16.7	Interest Paid			19.9
341.8	Net Operating Expenditure			239.5
(159.1)	General Government Grant			(19.7)
(87.9)	National Non Domestic Rates			(88.2)
(85.8)	Council Tax			(90.2)
9.0	Deficit for year			41.4
(9.9)	Net additional amount required by statute and non-statutory proper practices to be debited and credited to General Fund balances in the year			(40.4)
(0.9)	(Increase) / Reduction in General Fund balance in the year			1.0
(8.1)	Fund Balance brought forward			(9.0)
(9.0)	Fund Balance carried forward			(8.0)

Statement of Recognised Gains or Losses

2005/06 £m		2006/07 £m
9.0	Deficit for the year on the Income and Expenditure Account	41.4
(18.3)	Surplus arising on the revaluation of Fixed Assets	(10.4)
25.8	Actuarial (gains) / losses on pension fund assets and liabilities	(55.8)
4.1	Financing Adjustments	(16.3)
20.6	Total Recognised Gains for the year	(41.1)

Balance Sheet

The Group Balance Sheet is as follows:

	31st March 2007 £m	31st March 2006 £m
Long Term Assets	1,180.8	1,120.1
Current Assets		
Investments	34.5	19.0
Stock & WIP	1.2	1.2
Debtors and Prepayments	48.4	59.2
Cash in hand	6.5	3.6
Current Liabilities		
Temporary Borrowing	(35.0)	(49.0)
Creditors	(64.3)	(54.9)
Cash Overdrawn	(7.8)	(6.0)
Long Term Liabilities	(430.1)	(307.8)
Pension Liabilities	(124.3)	(168.1)
Total Assets less Total Liabilities	609.9	617.3
Fund Balances and Reserves	609.9	617.3

Cash Flow

The Group Cash Flow Statement is set out below:

	31 st March 2007		31 st March 2006	
	£m	£m	£m	£m
Revenue Activities				
Cash Outflows				
Cash paid to and on behalf of employees	323.6		314.8	
Other Operating Expenditure	261.2		264.9	
Housing Benefit Paid Out	31.3		29.4	
National non-domestic rate payments to pool	71.5		66.6	
Precepts Paid from Collection Fund	12.7	700.3	12.1	687.8
Cash Inflows				
Rents (after rebates)	29.6		32.7	
Council Tax/Community Charge Receipts	84.5		81.3	
Non-Domestic Rates from pool	88.2		87.9	
Non-Domestic Rates collected	72.9		67.7	
Revenue Support Grant	17.0		157.5	
Grants for Council Tax and Housing Benefits	81.1		76.5	
Other Grants and Contributions	281.3		111.8	
Cash Received for Goods, Services Etc	74.4	<u>729.0</u>	88.8	<u>704.2</u>
		(28.7)		(16.4)
Returns on Investments & Servicing of Finance				
Cash Outflows				
Expenditure - Interest Paid		20.0		17.6
Cash Inflows				
Income - Interest and Dividends Received		(4.6)		(4.1)
Revenue Cash Outflow / (Inflow)		(13.3)		(2.9)
Capital Activities				
Cash Outflows				
Purchase of Fixed Assets	84.1		88.3	
Deferred Charges	19.2		14.9	
Intangible Assets	0.6		0	
Remittance to ODPM	9.0	112.9	12.0	115.2
Cash Inflows				
Capital Receipts	(16.3)		(20.3)	
Capital Grants Received	(29.5)		(18.6)	
Other Capital Cash	(27.0)	<u>(72.8)</u>	(29.4)	<u>(68.3)</u>
Net Cash(inflow) / outflow before financing		26.8		44.0
Management of Liquid Resources				
Net increase /(decrease in short term deposits)		15.5		5.0
Financing				
Cash Outflows				
Repayment of Amounts Borrowed		299.8		182.3
Cash Inflows				
New Loans Raised		<u>(343.1)</u>		<u>(236.9)</u>
INCREASE IN CASH		(1.0)		(5.6)

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
- Technical Innovation Centre
- Yorkshire Purchasing Organisation

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

3 Charities & Trusts

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

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

Statement of Responsibilities for the Accounts

The Authority's Responsibilities

- The authority is required:
- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Corporate Resources.
- to manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

The Director of Corporate Resource's Responsibilities

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

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

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

The Director of Corporate Resources has also:

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

Stephen M Arnfield
Director of Corporate Resources
20th June 2007

The Statement on Internal Control and the Statement on the System of Internal Financial 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 2007 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 management 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 value for money reviews or studies arising through other means e.g. scrutiny, customer feed back, benchmarking, inter-authority initiatives.
- The financial management of the authority is structured through Financial Regulations and financial Standing Orders. A framework of regular management information, administrative procedures (including division of duties), management supervision and a system of delegation and accountability support these. Such procedures seek to ensure that transactions are authorised and that material errors or irregularities are either prevented or would be detected within a timely period.
- The Council has established an Audit Committee which has responsibility for providing assurance on the authority's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance.

4 REVIEW OF EFFECTIVENESS

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

The full Council approves strategic plans and policies. It determines the Council's budget and receives statutory financial, external audit and inspection reports.

The Executive, Executive Member Meetings, Scrutiny Committees and Area Fora receive detailed performance reports and feedback as appropriate. These meetings along with Policy Development Groups engage in detailed consideration of issues which can influence the formulation of future plans, policies, standards and resource allocations.

The Council operates an Internal Audit function whose role is to review compliance with financial procedures and other policies, to monitor the economy, efficiency and effectiveness of the Council's operations and to review arrangements for the security of the Council's assets. Internal Audit is a section of the Corporate Resources Department reporting through the Deputy Director of Corporate Resources. Internal Audit's Terms of Reference state that work is carried out in accordance with the

professional standards set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government. The Terms of Reference also provides that Internal Audit has direct access to all senior management including the Chief Executive and Council Members. Internal Audit produce an annual report which provides an opinion on the overall control and risk environment and reports upon significant findings in the year.

Bolton's housing stock is managed through an arms length management organisation; Bolton at Home. Bolton at Home has developed its own process for managing and reviewing the effectiveness of internal controls. The outcome from this process is included in within this statement.

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 2006/07 and 2007/08 to date no significant internal control issues have been identified.

Whilst internal control is found to be effective and performance is satisfactory, under the spirit of continuous improvement, the following areas of new work for 2007/08 have been identified:

- Further development of the role of the Audit Committee
- Develop appropriate processes to enable the Standards Committee to deal with local investigations, and embedding the new Code of Conduct
- Development of good governance and risk management within partnerships.

During 2007/08 the council will also be working to develop an appropriate response to the new CIPFA/SOLACE Governance Framework with a view to reporting in that format for 2007/08.

Signed:

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Leader of the Council

Chief Executive

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.

APPOINTED AUDITORS

External auditors of local authorities appointed by the Audit Commission. They may be the Commission's own staff or from major accountancy firms.

APPROPRIATION

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

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 FINANCING CHARGES

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

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.

CHALLENGE FUNDING

A process introduced by Government whereby authorities submit bids for schemes which are judged against others in the allocation of resources.

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 (HRA)

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE FIXED ASSETS

Assets used in a business which do not have a physical presence (e.g. software licences). When purchased these assets should be capitalised at cost and depreciated over their anticipated life. Internally developed intangible assets

should only be capitalised where there is a readily ascertainable market value.

INVESTMENTS

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

NATIONAL NON-DOMESTIC RATES (NNDR)

Non-Domestic Rates are organised on a national basis. The Government specifies an amount and, subject to the effects of transitional and other relief arrangements, local businesses pay rates calculated by multiplying their rateable values by that amount. The Council is responsible for collecting rates due from the ratepayers in its area. The net rates payable, less deductions, are paid to a central pool administered by Central Government.

NON DISTRIBUTED COSTS

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASES

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

OPERATIONAL ASSETS

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

OUTTURN

Actual Income and Expenditure in a financial year.

PRECEPT

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

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 (RSG)

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

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.