

Statement of Accounts

2009/2010



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Statement of Accounts 2009/10

Approved at the meeting of the
Constitutional Panel
28 June 2010

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

As reported to Audit Committee 30th September
2010

Statement of Accounts 2009/10

Foreword by the Director of Corporate Resources

1 Introduction

This document is the Council's Statement of Accounts for the year ending 31 March 2010, and comprises the following:

The Council's Core Financial Statement.

- **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 31 March 2010.
- **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.
- **Governance Statement.** This statement explains the system 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, 2009 Statement of Recommended Practice and the Accounts and Audit Regulations 2003 (as amended). They have been organised to comply with the Best Value Accounting Code.

Significant developments in the current year are:

- In the year work has begun on site at the Bolton One development adjacent to Bolton University. This is a partnership arrangement with Bolton NHS and Bolton University which will provide a new town centre swimming pool, a new town centre Urgent Care / Diagnostic Treatment Centre / Pharmacy well located to serve the student and wider population, and also provide teaching / research facilities for Sports Science.
- Two new Multi Story Car Parks have opened both operated by NCP in partnership with the Council. The Deane Road Car Park being owned by the Council whilst the Topp Way MSCP was financed and built by NCP.
- Construction work on the Colleges Co-location project funded by the Learning and Skills Council in the Innovation Zone is nearing completion with the new Colleges due to open in September 2010.
- A new staff pay and grading system designed to be compliant with equal pay requirements was effective from 1 April 2009.
- The Council secured £4.3M of Heritage Lottery Funding to redevelop and regenerate Queens Park.
- The Council with Blackburn with Darwen Council reached Financial Close on the procurement of a Local Education Partnership (LEP) to deliver the Building Schools for the Future programme and submitted the Outline Business Case (OBC) to attract resources from Central Government to enhance schools and student performance.
- During 2009-2010 work was completed to develop a formula for distributing funding for the 3 and 4 year old free entitlement to Private, Voluntary, Independent and mainstream schools and Nurseries. In March the Authority made a successful bid to become a pilot authority to implement this formula with effect from April 2010. The work to devise this formula was undertaken by officers in conjunction with a sub group of the Schools Forum made up of members from school governors, the Private, Voluntary and Independent Sector, Nursery and Primary Head Teachers and Officers.
- The Council has agreed to consult tenants on the possible transfer of its Council Housing stock to Bolton at Home Ltd. as a Social Landlord. The ballot is due to take place in July 2010.

- Bolton Council, together with the other nine Greater Manchester Authorities is a shareholder in Manchester Airport PLC. During 2009/10, all ten Councils agreed to restructure various long-term loans that had been made to the Airport to finance capital expenditure, the benefit to the Councils being that a higher coupon rate is receivable. As a consequence of this change, the loans to the Airport that were previously classed as secured loans have become unsecured loans, although this is considered to carry minimal risk. The loan agreement expires in 2055.
- In October 2008 two banks in which the Council had funds invested collapsed. The funds were £2m in Icelandic based Landsbanki and £4m in its UK based subsidiary Heritable. Internal and external audit investigations established the Council had appropriate investment controls in place and that proper procedures were followed. Subsequently investment criteria have been severely restricted acknowledging this will reduce future returns on investments. The Council has worked with other authorities through the Local Government Association (LGA) and the appointed legal advisers, Bevan Brittan to achieve the maximum return of these monies. During 2009/10 the Council received three dividends from Heritable which amounted to £1.417million. The bad debt provision for Icelandic banks has been increased in 2009/10, to the level recommended by the Chartered Institute of Public Finance and Accountancy, to £1.803m from £1.717m.

3 Format of the Accounts

The new requirements of the 2009 Local Authority Accounting Code of Practice and Revised Accounts and Audit Regulations were reported to Audit Committee 9th March 2010.

- **PFI and similar arrangements.** The requirements of International Accounting standards (IFRIC 12) as regards accounting for assets used in service delivery controlled but not legally owned by local authorities are incorporated in the current year's standard. Thus an asset value of Castle Hill Centre along with a balancing debt calculation appears on the 2009/10 balance sheet. The payment in respect of the use of the Centre will now be split between running costs (charged in the service expenditure analysis), the financing cost (shown as part of net operating expenditure) and an addition to minimum revenue provision (part of the Statement of Movement on General Fund Balances). Although the requirement can apply to assets used under any service contract only the Castle Hill PFI is affected in Bolton. Prior year comparative figures have been adjusted as though these changes applied from the inception of the scheme.
- **Collection Fund Transactions.** Whilst the Collection Fund accounts which detail Council Tax and Business Rate transactions remains unchanged, the way it is incorporated in to Income and Expenditure Account, Balance Sheet and Cash Flow changes so that the proportion of transactions made on behalf of Precepting Authorities (Police and Fire) are excluded. As are Business Rates collected on behalf of central government. Prior year figures are to be restated to provide comparable data.

- **Deleted Disclosures.** The Statement of Recommended Practice identifies five notes to the accounts which are no longer required. The amounts reported under these disclosures are not significant in the overall context of the Council's expenditure and do not have parallels in Codes of Practice relating to other sectors
 - Expenditure under Section 137 of the Local Government Act 1972 (i.e. expenditure for which there is no explicit statutory power). This is now minimal as the power has largely been superseded by the "wellbeing" powers.
 - Expenditure on publicity. Although this note is no longer required to be included in the Statement of Accounts the requirement to publish the figures remains under the Local Government Act 1986. To ensure the Council meets its obligations in this respect the relevant information is included in the Foreword to the accounts.
 - Income under the Local Authorities Goods and Services Act.
 - Building Control Account (This is now shown as a "Trading Account" rather than in a separate note)
 - Business Improvement District Schemes.

- **Further disclosure requirements relate to Senior Staff remuneration.** These arise from the Accounts and Audit (Amendment No. 2) (England) Regulations 2009. Regulations amend the Accounts and Audit Regulations 2003 in relation to disclosure of remuneration for senior employees in the Statement of Accounts. They repeat the requirement specifying the number of employees whose total remuneration was more than £50,000 per year in that financial year, to be listed in brackets of multiples of £5,000. Previously the brackets were at intervals of £10,000. In addition they introduce a new requirement for the disclosure of the individual remuneration details of senior employees for each financial year under the following categories:
 - salary, fees and allowances;
 - bonuses;
 - expenses allowance;
 - compensation for loss of employment;
 - pension contribution; figure to be disclosed is the proportion of the relevant body's contribution to the relevant contribution scheme which can be related to the senior employee and does not include any contribution made by the senior employee; and
 - any other emoluments

'Employee' includes a member of, or an office holder under, a relevant body. A senior employee is a person whose salary is more than £150,000 per year, or whose salary is at least £50,000 per year (to be calculated pro rata for a part-time employee) and who is the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, those terms having the meaning given by the Local Government and Housing Act 1989 or any person having responsibility for the management of the relevant body.

5 General Fund Transactions in the Year

When the 2009/10 Budget was set General Fund Balances were anticipated to be £7.61m. The 2009/10 budget incorporated the planned use of £0.61m of these balances. On the closure of the 2008/09 accounts balances were marginally higher at £7.715. The year saw a number of significant savings or additional sources of income identified

| | Additional Resources £000 |
|-----------------------------|--|
| Additional Airport Dividend | 725 |
| Capital Financing Savings | 2,260 |
| Additional VAT Recovery | 1,600 |
| LAGBI Grant Receipt | 315 |
| Total | 4,900 |

The opportunity was taken to address a number of high priority issues and accommodate pressures associated with the current economic climate the major expenditure items being:

| | Expenditure Items £000 |
|---|---------------------------------------|
| Effects of Recession and weather related | 2,036 |
| School Meals £1 promotion 3 terms plus set up costs | 1,295 |
| Additional Highways Maintenance | 500 |
| AGMA Costs | 209 |
| Bolton Science and Technology Centre first year costs | 258 |
| Merehall costs arising following company dissolution | 117 |
| Other smaller changes | 198 |
| Total | 4,613 |
| Change in Balances | 287 |

The resulting General Fund Balances situation can be summarised as follows:

| | Original Budget £000s | Outturn £000s | Change £000s |
|-------------------------------------|-----------------------------|------------------|-----------------|
| Opening Balance | 7,610 | 7,715 | +105 |
| Change on General Fund | -610 | -323 | +287 |
| Available balances at 31 March 2010 | 7,000 | 7,392 | +392 |

6 Movement from Original Budget to Outturn

General Fund Changes to Revenue Budgets for the year before Depreciation and Recharges are as follows in the management accounting format. The Council uses in the year:

| | Controllable Budget £000s | Outturn £000s | Inter-Service transfers* £000s | Other Variance £000s | Comment |
|---|--------------------------------------|--------------------------|---|---------------------------------|---|
| Children's Services | 36,743 | 38,231 | +516 | +972 | Additions for ESSA Academy dowry, Bolton Science and Technology Centre and Staff Retirement Costs |
| Adult Services | 67,041 | 65,904 | -1,140 | +3 | |
| Environmental Services | 24,681 | 27,976 | +1,374 | +1,921 | Additions for School Meals Initiatives 2009/10, Highways Maintenance and Winter Gritting |
| Housing | 3,406 | 3,342 | -64 | 0 | |
| Development & Regeneration | 4,102 | 4,208 | -488 | +594 | Income losses |
| Central Departments | 28,175 | 32,547 | +3,315 | +1,057 | Income Losses, Additional Housing Benefits and Charitable Rate Relief and AGMA Sub regional capacity |
| Financial Arrangements including Precepts and Car Parking | 58,900 | 50,516 | -3,513 | -4,871 | Capital Finance Savings, Additional Airport Dividend, One Off VAT saving, LAGBI partially offset by provision for School Meals Initiative 2010/11 |
| Total | 223,048 | 222,724 | 0 | -324 | |

* Inter Service Transfers reflect changes in responsibilities for functions, reallocation of budgets to reflect the impact of the Pay and Grading exercise and return of pay budgets in excess of the pay award to the centre.

7 Service Expenditure

Services are required to manage net revenue expenditure within the revenue budget adjusted for approved changes in the year. Financial Regulations allow the carry forward of any unspent budget to reserves to meet future requirements but also require any budget overspends to be carried forward for subsequent recovery.

Adult Services earmarked reserves have reduced by £0.23m in the year. This movement primarily consists of £0.17m in relation to the planned use of grant allocations brought forward from 2008/09, and £0.06m relating to the transfer of Environmental Health reserves to Central Departments reserves.

Children's Services earmarked reserves including schools have increased by £0.3m. This is represented by an increase in reserves created by savings and slippage in the capital programme and will be used to support future capital expenditure and increases in schools balances. These movements are, however, offset by a reduction in LA balances due to the overspend on Children's Social Care.

Central Departments earmarked reserves have increased by £2.7m in the year. The movements represent the effect of planned repayments of deficit business cases £1.1m, and monies carried forward for specific initiatives £1.6m.

Environmental Services earmarked reserves have increased by £0.95m in the year. This reflects the planned repayment of previous deficits and the carry forward of resources to meet commitments in future years.

Development and Regeneration earmarked reserves decreased by £0.38m in the year as a result of the planned use of resources from earlier years particularly Planning Delivery Grant.

General Fund Housing earmarked reserves have increased by £0.19m in the year as a result of higher than anticipated grant income.

8 Capital Expenditure

Capital expenditure for the year was £75.5m made up as follows:

Outturn for the year by service was:

| Service | Outturn £000 |
|----------------------------|-----------------|
| Children's Services | 14,210 |
| Adult & Community Services | 3,973 |
| Environmental Services | 12,521 |
| Development & Regeneration | 5,003 |
| Central Departments | 12,657 |
| Housing General Fund | 6,407 |
| HRA | 20,731 |
| | |
| Total Expenditure | 75,502 |

Its financing was:

| | |
|------------------------------------|---------------|
| | £000 |
| Borrowing | 23,013 |
| Government Grants | 31,477 |
| Capital receipts (incl. Earmarked) | 5,314 |
| External Contributions | 61 |
| Revenue | 15,637 |
| Total Funding | 75,502 |

In the year £1,880,000 General Fund capital receipts had been generated against the annual target of £2,000,000

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 2009/10 the limit was £514.6m. The figure calculated from the 31 March 2010 Balance Sheet is £513.7m.

In addition to borrowing the Council may also use internal funds and Capital Receipts to finance capital expenditure. At 31 March 2010 a Capital Funding Reserve of £11.3m and Usable Capital Receipts of £5.1m were held.

9 Publicity

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

| | 2009/10 | 2008/09 |
|-------------------------|----------------|----------------|
| | £000s | £000s |
| Recruitment Advertising | 369 | 924 |
| Other Publicity | 128 | 138 |
| Other Advertising | 329 | 512 |
| Total | 826 | 1,574 |

10 Balances

At 31 March 2010 General Fund Balances stood at £7.392m. These are available to protect the Council against unexpected demands.

Stephen M. Arnfield
Director of Corporate Resources
28 June 2010



Independent auditors' report to the Members of Bolton Council

Opinion on the accounting statements

We have audited the accounting statements and related notes of Bolton Council and its Group for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Authority and Group Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account, and the Collection Fund. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Bolton 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 Council, as a body, those matters we are required to state to them in an auditors' 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 Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Responsible Financial Officer and auditors

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the accounting statements and related notes 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 accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE 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 governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises the Explanatory Foreword and the content of the Annual Report. We consider the implications for our report if we become aware of any apparent misstatements or material

inconsistencies with the accounting statements and related notes. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, 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 accounting statements and related notes 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 accounting statements and related notes.

Opinion

In our opinion:

- The accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial position of the Authority and its Group as at 31 March 2010 and its income and expenditure for the year then ended.



**Kevin Wharton (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
2 St James' Square
Manchester
30 September 2010



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 regularly to review the adequacy and effectiveness of these arrangements.

Auditors' Responsibilities

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

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice. Having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, we are satisfied that, in all significant respects, Bolton Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

A handwritten signature in black ink, appearing to read 'Kevin Wharton', is written over a light blue horizontal line.

**Kevin Wharton (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
St James' Square
Manchester
30 September 2010

Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

The 2009 SORP introduces two mandatory changes to the Council's Accounting Policies in respect of PFIs and similar contracts and Collection Fund accounting as explained below. In each case restatement of prior year comparative figures is required.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the

relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

The council has made a provision from revenue budgets and capitalisation directives for the costs of settling claims for back pay arising from discriminatory payments incurred before the council implemented its equal pay strategy. By using available resources it is not necessary for the Council to use an Equal Pay Back Pay Account to defer the resource effect until payment is actually made.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. They are also used as part of the Council's devolved budget management process to carry forward budget over or under-spend to future years. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against Council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and they do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

Retirement Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF).
- The Greater Manchester Pensions Scheme, administered by Tameside Council.

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.

The Local Government Pension Scheme

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

The liabilities of the Greater Manchester pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a real discount rate based on the indicative rate of return on high quality corporate bond (ibovx Sterling Corporates Index AA over 15 years)).

The assets of the Greater Manchester pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – bid value
- unquoted securities – professional estimate
- unitised securities – average of the bid and offer rates
- property – market value.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
- gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
- contributions paid to the Greater Manchester pension fund – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising Council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

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

VAT

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

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but

does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

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

- investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost
- investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75%

for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against Council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

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

- Council dwellings – 45 years
- Other Buildings – 40 years
- vehicles, plant and equipment – 5 years
- infrastructure – 25 years.

Depreciation is calculated on asset values at April 1st i.e. no depreciation is charged on expenditure in the year or revaluations effective on April 1st. Only land held on a lease will be subject to depreciation. The length of the lease will determine the period over which depreciation is charged. The same would apply for leasehold buildings.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

Charges to Revenue for Fixed Assets

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

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

Leases

Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable, where material, are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a

restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

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

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

- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Stocks and Work in Progress

Stocks are included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost.

Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As the council is deemed to control the services provided under its PFI schemes and as ownership of the fixed assets will pass to the council at the end of the contract for no additional charge, the council carries the fixed assets used under the contracts on the Balance Sheet.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. Fixed assets recognised on the Balance Sheet will be revalued and depreciated in the same way as property, plant and equipment owned by the council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Income and Expenditure Account
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator

Collection Fund

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-

Domestic Rates (NNDR). The key features relevant to accounting for Council Tax in the core financial statements are:

- In its capacity as a billing authority the Council acts as agent; it collects and distributes Council Tax income on behalf of the major preceptors and itself
- While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors
- Until 2008/09 the SORP required the Council Tax income included in the Income and Expenditure Account to be that which under regulation was required to be transferred from the Collection Fund to the General Fund of the billing authority
- From the year commencing 1 April 2009 the Council Tax income included in the Income and Expenditure Account for the year is the accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the Collection Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance
- Since the collection of Council Tax and NNDR is in substance an agency arrangement: Cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors. There will be therefore a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from Council Taxpayers; and Cash collected from NNDR taxpayers by billing authorities (net of the cost of collection allowance) belongs to the Government and the amount not yet paid to the Government at the Balance Sheet date is included in the Balance Sheet as a creditor. Similarly, if cash paid to the Government exceeds the cash collected from NNDR taxpayers (net of the billing authority's cost of collection allowance), the excess is included in the Balance Sheet as a debtor.

Core Single Entity Financial Statement

Income and Expenditure Account 2009/2010

| 2008/09 Net Expenditure £000s | | Note | Gross Expenditure £000s | 2009/10 Gross Income £000s | Net Expenditure £000s |
|--|--|------|-------------------------------|-------------------------------------|-----------------------------|
| 7,165 | Central Services to the public | | 13,002 | 9,152 | 3,850 |
| 20,159 | Culture | | 23,806 | 7,356 | 16,450 |
| 32,588 | Environmental and Planning Services | | 43,208 | 5,255 | 37,953 |
| 45,900 | Education Services | | 257,533 | 229,273 | 28,260 |
| 22,963 | Social Care - Children | | 34,841 | 8,581 | 26,260 |
| 34,905 | Highways, Roads and Transport | | 40,812 | 6,254 | 34,558 |
| 17,307 | Local Authority Housing (HRA) | | 60,640 | 60,553 | 87 |
| 6,330 | Other Housing Services | | 122,704 | 116,243 | 6,461 |
| 64,380 | Social Care – Adults | | 93,584 | 28,412 | 65,172 |
| 5,406 | Corporate and Democratic Core | | 5,961 | 1,224 | 4,737 |
| 20,918 | Non-distributed costs | | 41,859 | 31,382 | 10,477 |
| 4,557 | Exceptional Item * | | 6,376 | 1,600 | 4,776 |
| 282,578 | Net Cost of Continuing Services | | 744,326 | 505,285 | 239,041 |
| (2,754) | (Profit)/Loss on disposal of fixed assets | | | | (1,011) |
| 370 | Parish Council Precepts | 4 | | | 374 |
| (619) | (Surplus)/Deficit on trading undertakings not included in net cost of services | 3 | | | 962 |
| 20,848 | Interest payable and similar charges | | | | 16,263 |
| 2,364 | Contribution of Housing capital receipts to Government Pool | | | | 1,050 |
| (5,967) | Interest and Investment Income | 5 | | | (3,199) |
| 6,000 | Pensions interest cost and expected return on pensions assets | | | | 14,700 |
| 302,820 | Net Operating Expenditure | | | | 268,180 |
| (94,296) | Demand on the Collection Fund | | | | (98,853) |
| (42,347) | General Government Grants | 2 | | | (50,496) |
| (105,033) | Non-domestic rates distribution | | | | (100,608) |
| 61,144 | Deficit/(Surplus) for the year | | | | 18,223 |

*Equal pay provision for settlements (£6,376,000) and VAT Refund Income (£1,600,000)

Statement of Movement on the General Fund Balance

| 2008/09 £000s | | 2009/10 £000s |
|--------------------------------|---|--------------------------------|
| 61,144 | (Surplus)/Deficit for the year on the Income and Expenditure Account | 18,223 |
| (61,117) | Net additional amount required by statute and non-statutory proper practices to be debited and credited to the General Fund Balances for the year | (17,900) |
| 27 | (Increase)/Decrease in General Fund Balance for the year | 323 |
| (7,742) | General Fund Balance brought forward | (7,715) |
| (7,715) | General Fund Balance carried forward | (7,392) |
| 0 | Amount of the General Fund Balance held by schools under Local Management schemes | 0 |
| (7,715) | Amount of General Fund Balance generally available for new expenditure | (7,392) |

Notes to the Accounts

| 2008/09 £000s | | 2009/10 | |
|------------------|--|----------|----------|
| | | £000s | £000s |
| | 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. | | |
| (323) | Amortisation of intangible fixed assets | (542) | |
| (84,367) | Depreciation and impairment of fixed assets | (43,088) | |
| 3,422 | Government Grants Deferred amortisation | 4,428 | |
| (812) | Revenue expenditure funded by capital under statute | (749) | |
| 2,757 | Net loss on sale of fixed assets | 1,011 | |
| 121 | Financial Instruments Adjustment Account | (3) | |
| (8,500) | Net charges made for retirement benefits in accordance with FRS17 | (5,000) | |
| (1,051) | Council Tax Adjustment | 750 | |
| (88,753) | | | (43,193) |
| 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. | | |
| 8,983 | Minimum revenue provision for capital financing | 10,012 | |
| 535 | External Principal | 707 | |
| 14,908 | Capital expenditure charged in-year to the General Fund Balance | 3,450 | |
| (2,364) | Transfer from usable capital receipts to meet payments to the Housing Capital Receipts Pool | (1,050) | |
| 22,062 | | | 13,119 |
| 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. | | |
| (6,685) | Housing Revenue Account balance | 3,155 | |
| 12,259 | Net transfer to or from earmarked reserves | 9,019 | |
| 5,574 | | | 12,174 |
| (61,117) | Net additional amount required to be credited to the General Fund Balance for the year | | (17,900) |

Statement of Total Recognised Gains and Losses

| 2008/09 £000s | | 2009/10 £000s |
|--------------------------------|---|--------------------------------|
| 61,144 | (Surplus)/Deficit for the year on the Income and Expenditure Account | 18,223 |
| (59,660) | (Surplus)/Deficit arising on revaluation of fixed assets | (8,877) |
| 139 | (Surplus)/Deficit arising on revaluation of available-for-sale Financial Assets | (56) |
| 80,500 | Actuarial (gains)/losses on pension fund assets and liabilities | 257,100 |
| 6,310 | Transfer of Schools | 9,079 |
| 149 | Collection Fund | 15 |
| (154) | Prior Year Adjustment | 1,357 |
| 0 | Transferred Debt | 72 |
| 88,428 | Total recognised (gains)/losses for the year | 276,913 |

| | £000s |
|---------------------------------------|--------------|
| Assets less Liabilities 31 March 2010 | 301,497 |
| Assets less Liabilities 31 March 2009 | 578,410 |
| | 276,913 |

Balance Sheet

| Restated 31 March 2009 £000s | | Notes | 31 March 2010 | |
|---------------------------------------|---|-------|---------------|------------------|
| | | | £000s | £000s |
| | Fixed Assets | | | |
| 1,803 | Intangible Fixed Assets | 13 | 1,796 | |
| | Tangible Fixed Assets | | | |
| | Operational Assets | | | |
| 640,339 | Council Dwellings | | 634,145 | |
| 406,618 | Other land and buildings | | 410,265 | |
| 24,100 | Vehicles, plant, furniture and equipment | | 24,190 | |
| 87,841 | Infrastructure Assets | | 93,610 | |
| 7,034 | Community Assets | | 7,892 | |
| | Non-operational Assets: | | | |
| 75,434 | Investment properties | | 73,912 | |
| 821 | Assets under construction | | 3,728 | |
| 1,243,990 | Total Fixed Assets | | | 1,249,538 |
| 19,739 | Long-term investments | 14 | | 14,867 |
| 10,663 | Long-term debtors | 15 | | 10,640 |
| 1,274,392 | Total Long Term Assets | | | 1,275,045 |
| | Current Assets | | | |
| 797 | Stocks and work in progress | 16 | | 1,390 |
| 38,301 | Debtors | 17 | | 38,361 |
| 3,389 | Prepayments | | | 4,650 |
| 17,000 | Investments | | | 26,432 |
| 9,580 | Cash and Bank | | | 20,612 |
| 1,343,459 | Total Assets | | | 1,366,490 |
| | Current Liabilities | | | |
| (58,338) | Short-term borrowing | | | (114,135) |
| (69,958) | Creditors | 18 | | (90,154) |
| (5,182) | Bank overdraft | | | (10,164) |
| 1,209,981 | Total Assets Less Current Liabilities | | | 1,152,037 |
| | Long-term Liabilities | | | |
| (338,221) | Long-term borrowing | 19 | | (269,838) |
| (16,583) | Provisions | 21 | | (22,235) |
| (87,530) | Capital Grants Deferred | 23 | | (105,263) |
| (2,792) | Capital Grants Unapplied | 22 | | (3,499) |
| (11,845) | Deferred Liabilities | 20 | | (13,005) |
| (174,600) | Liability related to defined benefit pension scheme | 7 | | (436,700) |
| 578,410 | Total Assets Less Liabilities | | | 301,497 |
| | Represented by: | | | |
| 618,105 | Capital Adjustment Account | 26 | | 584,675 |
| 9 | Financial Instruments Adjustment Account | 28 | | 5 |
| 0 | Collection Fund Adjustment Account | 29 | | 750 |
| 70,211 | Revaluation Reserve | 25 | | 74,350 |
| 219 | Available-for-sale Financial Instruments Reserve | 27 | | 275 |
| 7,971 | Usable Capital Receipts Reserve | 24 | | 5,091 |
| (174,600) | Pensions Reserve | 7 | | (436,700) |
| 0 | Major Repairs Reserve | 30 | | 0 |
| 56,495 | Fund Balances and Reserves | 30 | | 73,051 |
| 578,410 | | | | 301,497 |

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 37) | 31 March 2010 | | 31 March 2009 | |
|--|----------------------|----------------|----------------------|----------------|
| | £m | £m | £m | £m |
| Revenue Activities | | | | |
| Cash Outflows | | | | |
| Cash paid to and on behalf of employees | 306.9 | | 302.1 | |
| Other Operating Expenditure | 338.8 | | 338.7 | |
| Housing Benefit Paid Out | 44.8 | 690.5 | 36.6 | 677.4 |
| Cash Inflows | | | | |
| Rents (after rebates) | (25.1) | | (27.3) | |
| Council Tax Receipts | (77.2) | | (77.1) | |
| Non-Domestic Rates from pool | (100.6) | | (105.0) | |
| Revenue Support Grant | (23.2) | | (14.6) | |
| Grants for Council Tax and Housing Benefits | (100.0) | | (87.9) | |
| Other Grants and Contributions | (309.8) | | (308.2) | |
| Cash Received for Goods, Services Etc | (86.4) | <u>(722.3)</u> | (108.9) | <u>(729.0)</u> |
| | | (31.8) | | (51.6) |
| Returns on Investments & Servicing of Finance | | | | |
| Cash Outflows | | | | |
| Expenditure - Interest Paid | | 16.1 | | 19.8 |
| Cash Inflows | | | | |
| Income - Interest and Dividends Received | | (3.2) | | (4.6) |
| Revenue Cash Outflow / (Inflow) | | (18.9) | | (36.4) |
| Capital Activities | | | | |
| Cash Outflows | | | | |
| Purchase of Fixed Assets | 69.6 | | 67.0 | |
| Intangible Assets | 0.6 | | 0.9 | |
| Remittance to DCLG | 1.1 | 71.3 | 2.2 | 70.1 |
| Cash Inflows | | | | |
| Capital Receipts | (3.5) | | (7.4) | |
| Capital Grants Received | (32.4) | | (18.2) | |
| Capital Contribution | (0.1) | | (0.5) | |
| Other Capital Cash | (50.0) | (86.0) | 1.1 | (25.0) |
| Net Cash(inflow) / outflow before financing | | (33.6) | | 8.7 |
| Management of Liquid Resources | | | | |
| Net increase /(decrease) in short term deposits | | 13.1 | | (25.4) |
| Net increase /(decrease) in long term deposits | | 1.1 | | 1.3 |
| Financing | | | | |
| Cash Outflows | | | | |
| Repayment of Amounts Borrowed | | 118.1 | | 210.0 |
| Cash Inflows | | | | |
| New Loans Raised | | <u>(104.8)</u> | | <u>(198.9)</u> |
| INCREASE IN CASH | | (6.1) | | (4.3) |

Notes to the Core Statements

1. Restatement of 2008/09 Accounts

There have been prior period adjustments as a result of mandatory changes to the 2009 Statement of Recommended Practice (SORP):

- **Private Finance Initiatives and Similar Contracts** In order to continue the implementation of International Financial Reporting Standards, International Financial Reporting Interpretations Committee (IFRIC) Issue 12 - Service Concession Arrangements has been incorporated in the SORP. This has the effect of bringing assets built under Private Finance Initiatives (The Castle Hill Centre) onto the Balance Sheet. As IFRIC 12 is retrospective the prior period figures have been restated.
- **Collection Fund Accounting** Billing authorities in England and Wales are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non domestic rates (NNDR). The SORP 2009 gives definitive views that authorities responsible for collecting council tax act as agents and the collection of Council Tax is in substance an agency arrangement. The cash collected by the billing authority belongs proportionately to the billing authority and preceptors. Similarly NNDR is collected as an agent of government.

In preparation for the adoption of International Accounting Standards the treatment of **Cash Equivalents** has been reviewed. Although no decision has been made to alter the current definition that cash must be immediately accessible to be considered as cash the review has led to a reassessment of the classification of cash/ short term investments/ long term investment. These classifications are now used consistently across both year's Balance Sheet figures and the Cash Flow Statement.

New requirements on disclosure of senior staff remuneration, the Accounts and Audit (Amendment No. 2) (England) Regulations 2009, result in additional disclosures relating to senior staff remuneration in 2008/09.

In addition to the Cash Flow Statement and the remuneration disclosures the lines affected are:

| Statement | Line | Published 2009 £000s | Restated 2010 £000s | Explanation |
|---------------------------------------|------------------------------------|----------------------------|------------------------|--|
| Income & Expenditure | Central Services to the public | 7,574 | 7,165 | PFI adjustment |
| Income & Expenditure | Interest Payable and Similar | 20,257 | 20,848 | PFI adjustment |
| Income & Expenditure | Demand on Collection Fund | (95,347) | (94,296) | Collection Fund Adjustment |
| Statement of movement on General Fund | Collection Fund Adjustment Account | 0 | (1,051) | Collection Fund Adjustment |
| Statement of movement on General Fund | Depreciation Adjustment | (83,939) | (84,367) | PFI Adjustment |
| Statement of movement on General Fund | MRP | 8,737 | 8,983 | PFI Adjustment |
| Balance Sheet | Other Land & Buildings | 398,058 | 406,618 | PFI Adjustment |
| Balance Sheet | Long Term Investments | 18,456 | 19,739 | Cash Equivalent Review |
| Balance Sheet | Debtors | 37,534 | 38,301 | Cash Equivalent Review & Collection Fund |
| Balance Sheet | Short Term Investments | 22,415 | 17,000 | Cash Equivalent Review |
| Balance Sheet | Cash in hand | 7,165 | 9,580 | Cash Equivalent Review |
| Balance Sheet | Short term Borrowing | (16,027) | (58,338) | Cash Equivalent Review |
| Balance Sheet | Creditors | (70,908) | (69,958) | Collection Fund |
| Balance Sheet | Long Term Borrowing | (371,017) | (338,221) | Cash Equivalent Review |
| Balance Sheet | Capital Adjustment Account | (619,060) | (618,105) | PFI adjustment |

2. General Grants

The grants included in this heading are:

| Grant | 2009/10 £000s | 2008/09 £000s |
|--|------------------|------------------|
| Revenue Support Grant | 23,222 | 14,621 |
| Performance Reward Grant | 1,030 | 2,094 |
| Area Based Grant | 25,929 | 23,003 |
| Local Authority Business Growth Incentive Grant (LAGBI) | 315 | 0 |
| Total | 50,496 | 39,718 |

Revenue Support Grant (RSG) is a formula based grant allocated by Government.

Performance Reward Grant is allocated by Government in recognition of achievement of agreed targets.

From 2008/09 financial year Local Area Agreement Grant has been replaced by Area Based Grant (ABG). ABG is a non-ringfenced general grant, no conditions on use is imposed as part of the grant determination ensuring full local control over how funding can be used. The Council allocates ABG in consultation with partners to meet the objectives contained in the Bolton Plan and the Community Partnership "Vision" document.

3. Trading Account Statements

Summary Revenue Account

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

| Activity | 2009/10 | | | 2008/09 |
|---------------------------------|-----------------|----------------------|---------------------------------|---------------------------------|
| | Income £000s | Expenditure £000s | (Surplus) / Deficit £000s | (Surplus) / Deficit £000s |
| Markets | 1,562 | 1,778 | 216 | 197 |
| Building Control | 513 | 599 | 86 | 28 |
| Special Needs Transport | 4,538 | 4,744 | 206 | (3) |
| Security & Response | 1,716 | 1,668 | (48) | 9 |
| Schools and Welfare Catering | 6,093 | 7,179 | 1,086 | 161 |
| Fleet Management | 6,209 | 5,625 | (584) | (995) |
| Building Cleaning | 3,900 | 3,826 | (74) | (39) |
| Legal | 2,053 | 2,007 | (46) | 23 |
| Civic Catering | 529 | 649 | 120 | 38 |
| (Surplus) Deficit | 27,113 | 28,075 | 962 | (581) |

Note: The 2009/10 deficits are largely accounted for by additional costs arising from the pay and grading exercise implemented in the year. Where the charges are made to other parts of the Council, the corporate contribution (£828,000) was made to the trading account reserve to cover those costs. For future years client budgets and Trading Account charges will rise appropriately. Similarly the cost of the £1 school meals promotion in the year (£495,000) has been met corporately but is not shown as income to the School and Welfare Catering Account. Markets and Building Control in particular have suffered reduced income as a result of economic conditions. Civic Catering has lost income as a result of refurbishment activity meaning facilities were not always available.

4. Parish Precepts

The following Parish Precept demands were made:

| Parish | 2009/10 £000s | 2008/08 £000s |
|---------------|--------------------------|--------------------------|
| Blackrod | 36 | 36 |
| Horwich | 202 | 198 |
| Westhoughton | 136 | 136 |
| Total | 374 | 370 |

5. Interest and Dividend

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

| | 2009/10 £000s | 2008/09 £000s |
|-----------------------------|--------------------------|--------------------------|
| Manchester Airport Dividend | 1,000 | 1,300 |
| Interest | 2,199 | 4,667 |
| Total | 3,199 | 5,967 |

6. Leasing Information

In 2009/10 the value of leasing arrangements was as follows:

| | Finance £000s | Operational £000s |
|---|--------------------------|------------------------------|
| Rental Paid to Lessor in 2009/10 | 63 | 11 |
| Estimated Commitment Outstanding at 31st March 2010 | 8 | 22 |

The only leases generated by the Council relate to land and property. In 2009/10 £1.015m rental income was generated from premises with a net book value of £54m.

The Council has acquired equipment under operating lease arrangements. This lease has been extended and expires in 2012/13. The payment due in 2010/11 in respect of this lease is £11,000.

Assets held under Finance Leases

The Authority has a finance lease relating to a classroom.

| | Gross Book Value £000s | Accumulated Depreciation to 31 March 2008 £000s | Depreciation in the year £000s | Net Book Value £000s |
|-----------|---------------------------------------|--|---|-------------------------------------|
| Classroom | 159 | (105) | (52) | 2 |

Future amounts payable:

| | £000s |
|-----------------------------------|--------------|
| Obligations payable in 2010/11 | 8 |
| Obligations payable after 2013/14 | 0 |
| Total | 8 |

7. Pensions Contributions

Participation in pension schemes

As part of the terms and conditions of employment the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that the employees earn their future entitlement.

The Authority participates in two pension schemes:

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

The Teachers Pensions Scheme – see note 8

Transactions relating to retirement benefits

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 reported cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

| | 2009/10 £000s | 2008/09 £000s |
|---|------------------|------------------|
| Income and Expenditure Account | | |
| Net Cost of Services | | |
| current service cost | 13,300 | 17,100 |
| past service costs | 900 | 7,400 |
| curtailments and settlements | 500 | 1,400 |
| Net operating Expenditure | | |
| interest cost | 45,600 | 46,400 |
| expected return on scheme assets | (30,900) | (40,400) |
| Net Charge to the Income and Expenditure Account | 29,400 | 31,900 |
| Statement of Movement in the General Fund Balance | | |
| reversal of net charges made for retirement benefits in accordance with FRS17 | (29,400) | (31,900) |
| actual amounts charged against the General Fund Balance for pensions in the year: | | |
| Employers' contributions payable to the scheme | | |
| current service cost | 21,300 | 20,400 |
| past service costs | 3,100 | 3,000 |
| Total | 24,400 | 23,400 |

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £257.1m loss in 2009/10 (£80.5m loss in 2008/09) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £368.3m.

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

| | 2009/2010 £000s | 2008/2009 £000s |
|-------------------------------------|----------------------------------|----------------------------------|
| 1 April | 663,200 | 667,500 |
| Current service cost | 13,300 | 17,100 |
| Interest cost | 45,600 | 46,400 |
| Contribution by scheme participants | 8,500 | 9,200 |
| Actuarial gains and losses | 402,600 | (60,300) |
| Benefits paid | (27,500) | (25,500) |
| Past service costs | 900 | 7,400 |
| Curtailments | 500 | 1,400 |
| 31 March | 1,107,100 | 663,200 |

Reconciliation of fair value of the scheme assets:

| | 2009/2010 £000s | 2008/2009 £000s |
|--------------------------------------|----------------------------------|----------------------------------|
| 1 April | 488,600 | 581,900 |
| Expected rate of return | 30,900 | 40,400 |
| Actuarial gains and losses | 145,500 | (140,800) |
| Employers' contributions | 24,400 | 23,400 |
| Contributions by scheme participants | 8,500 | 9,200 |
| Benefits paid | (27,500) | (25,500) |
| 31 March | 670,400 | 488,600 |

There is a 0.5% difference between the value of the assets of the main fund of Greater Manchester Pension Scheme, estimated by the actuary for 31 March 2010 value (with respect to the FRS17 report) and the value of the assets of the main fund of Greater Manchester Pension Scheme presented for audit in the draft accounts.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on plan assets in the year was £176.5m in 2009/10 (£98.8m in 2008/09):

| | 2009/10 | 2008/09 | 2007/08* | 2006/07* | 2005/06* |
|---|-------------|-----------|-----------|-----------|-----------|
| Present value of liabilities: | | | | | |
| Local Government Pension Scheme | (1,107,100) | (663,200) | (667,500) | (736,400) | (728,800) |
| Fair value of assets in the Local Government Pension Scheme | 670,400 | 488,600 | 581,900 | 623,100 | 576,900 |
| Surplus/(deficit) in the scheme: | | | | | |
| Local Government Pension Scheme | (436,700) | (174,600) | (85,600) | (113,300) | (151,900) |

* The Council has elected not to restate fair value for scheme assets for prior years. The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £436.7m has a substantial impact on the net worth of the Authority as recorded in the balance sheet. 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 scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2011 is £21.4m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Greater Manchester Pension Scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2007.

The principal assumptions used by the actuary have been:

| | 2009/10 | 2008/09 |
|---|---------|---------|
| Long-term expected rate of return on assets in the scheme: | | |
| Equity investments | 7.8% | 7.0% |
| Bonds | 5.0% | 5.4% |
| Property | 5.8% | 4.9% |
| Cash | 4.8% | 4.0% |
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners: | | |
| Men | 20.8 | 19.6 |
| Women | 24.1 | 22.5 |
| Longevity at 65 for future pensioners: | | |
| Men | 22.8 | 20.7 |
| Women | 26.2 | 23.6 |
| Rate of inflation | 3.8% | 3.1% |
| Rate of increase in salaries | 5.3% | 4.6% |
| Rate of increase in pensions | 3.8% | 3.1% |
| Rate for discounting scheme liabilities | 5.5% | 6.9% |
| Take-up of option to convert annual pension into retirement lump sum: | | 50% |
| Pre April 2008 Service | 50% | |
| Post April 2008 Service | 75% | |

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

| | 31 March 2010 | 31 March 2009 |
|--------------------|---------------|---------------|
| | % | % |
| Equity investments | 67 | 67 |
| Bonds | 16 | 16 |
| Other assets | 17 | 17 |
| | 100 | 100 |

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities on 31 March 2010:

| | 2009/10 % | 2008/09 % | 2007/08 % | 2006/07 % | 2005/06 % |
|--|--------------|--------------|--------------|--------------|--------------|
| Differences between the expected and actual return on assets (investments) | 21.70 | (28.82) | (14.73) | 0.61 | 12.81 |
| Experience gains and losses on liabilities (pensions) | 0.29 | 0.66 | (0.22) | 0.04 | 0.41 |

8. Teachers Pensions

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by Capita. 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 salary.

| | 2009/10 | 2008/09 |
|----------------------------|---------|---------|
| Percentage contributed (%) | 14.1 | 14.1 |
| Amount contributed (£000s) | 12,584 | 12,637 |

With regard to the Teachers Pension Scheme, there were contributions of £1,748,720.88 remaining payable at the year end.

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

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers' scheme. These benefits are fully accrued in the pensions liability described in note 7.

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 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 £248,717 in 2009/10 to meet the Council's obligations with regards supported residents

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 | | 2009/10 | 2008/09 |
|---|-----------------------------------|----------------|----------------|
| Related Party | Description of Transaction | £000s | £000s |
| Other Local Authorities | Educational Services | 991 | 1,076 |
| | Social Services | 1,052 | 1,052 |
| | Magistrates share of debt charges | 198 | 223 |
| | Children's Social Care | 213 | 70 |
| Health Authority | Legal | 10 | 0 |
| | Joint Working Arrangements | 14,924 | 14,644 |
| | Children's Social Care | 200 | 241 |
| Levies from Authorities | Coroner | 1,065 | 1,045 |
| Housing | UK Border Agency | 408 | 328 |
| Other | Schools Linking Network | 39 | 0 |
| | Probation | 22 | 0 |
| Sub Total re: Income Rec'd from 3rd Parties | | 19,122 | 18,679 |

| Payments Made | | 2009/10 | 2008/09 |
|--------------------------------|-------------------------------------|----------------|----------------|
| Related Party | Description of Transaction | £000s | £000s |
| Other Local Authorities | Educational Services | 367 | 356 |
| | Magistrates – share of debt charges | 91 | 101 |
| | Children’s Social Care | 180 | 220 |
| Members | Allowances | 862 | 836 |
| Precepting Authorities | Police, Fire & Civil Defence | 15,260 | 16,411 |
| | Parishes | 374 | 370 |
| Primary Care Trust | Speech Therapy | 221 | 114 |
| Levies from Authorities | Transport Board Levy | 16,865 | 16,231 |
| | Waste Disposal Authority | 10,869 | 11,161 |
| | Land Drainage Precept | 129 | 124 |
| | S48 | 384 | 364 |
| | NW Regional Chamber | 8 | 9 |
| | AGMA Secretariat | 334 | 216 |
| | GMPTE | 75 | 0 |
| Total re: Payments Made | | 46,019 | 46,513 |

10. Remuneration of Employees

In 2009/10 the numbers of employees earning more than £50,000 were as follows:

| | Teachers | | Other Staff | |
|-------------------|-----------------|----------------|--------------------|----------------|
| | 2009/10 | 2008/09 | 2009/10 | 2008/09 |
| £50,000 - £54,999 | 79 | 75 | 27 | 40 |
| £55,000 - £59,999 | 44 | 21 | 14 | 7 |
| £60,000 - £64,999 | 18 | 11 | 6 | 2 |
| £65,000 - £69,999 | 4 | 6 | 4 | 5 |
| £70,000 - £74,999 | 8 | 5 | 4 | 13 |
| £75,000 - £79,999 | 5 | 2 | 11 | 0 |
| £80,000 - £84,999 | 3 | 1 | 4 | 6 |
| £85,000 - £89,999 | 1 | 2 | 1 | 0 |
| £90,000 - £94,999 | 1 | 1 | 0 | 0 |
| £95,000 - £99,999 | 0 | 0 | 0 | 0 |
| £100,000-£104,999 | 1 | 0 | 0 | 2 |
| £105,000-£109,999 | 0 | 0 | 2 | 0 |
| £110,000-£114,999 | 1 | 0 | 0 | 0 |
| £115,000-£119,999 | 0 | 0 | 0 | 4 |
| £120,000-£124,999 | 0 | 0 | 0 | 0 |
| £125,000-£129,999 | 0 | 0 | 3 | 2 |
| £130,000-£134,999 | 0 | 0 | 1 | 0 |
| £135,000-£139,999 | 0 | 0 | 0 | 0 |
| £140,000-£144,999 | 0 | 0 | 0 | 0 |
| £145,000-£149,999 | 0 | 0 | 0 | 0 |
| £150,000-£154,999 | 0 | 0 | 0 | 0 |
| £155,000-£159,999 | 0 | 0 | 0 | 0 |
| £160,000-£164,999 | 0 | 0 | 0 | 1 |
| £165,000-£169,999 | 0 | 0 | 1 | 0 |

| | Salary including Fees and Allowances | Expense Allowances | Benefits in kind (e.g. Car/Telephone Allowance) | Total Remuneration Excluding Pension Contributions | Pension Contributions | Total Remuneration Including Pension Contributions |
|--|--------------------------------------|--------------------|---|--|-----------------------|--|
| 2009/10 | £ | £ | £ | £ | £ | £ |
| Chief Executive | | | | | | |
| Sean Harriss | 165,338 | 20 | 654 | 166,012 | 24,635 | 190,647 |
| Director of Corporate Resources | 130,883 | 0 | 654 | 131,537 | 19,502 | 151,039 |
| Director of Children's Services | 128,326 | 0 | 654 | 128,980 | 19,121 | 148,101 |
| Director of Development and Regeneration | 128,675 | 0 | 926 | 129,601 | 19,173 | 148,774 |
| Director of Adult and Community Services | 128,675 | 0 | 654 | 129,329 | 19,173 | 148,502 |
| Director of Environmental Services | 106,370 | 0 | 654 | 107,024 | 15,849 | 122,873 |
| Director of Chief Executive's Department | 108,948 | 0 | 654 | 109,602 | 16,233 | 125,835 |
| | 897,215 | 20 | 4,850 | 902,085 | 133,686 | 1,035,771 |
| 2008/09 | £ | £ | £ | £ | £ | £ |
| Chief Executive | | | | | | |
| Sean Harriss | 162,311 | 0 | 1,571 | 163,882 | 22,561 | 186,443 |
| Director of Corporate Resources | 128,619 | 0 | 1,571 | 130,190 | 17,878 | 148,068 |
| Director of Children's Services | 125,982 | 0 | 1,571 | 127,553 | 17,511 | 145,064 |
| Director of Development and Regeneration | 119,296 | 0 | 1,687 | 120,983 | 16,623 | 137,606 |
| Director of Adult and Community Services | 119,296 | 0 | 1,571 | 120,867 | 16,622 | 137,489 |
| Director of Environmental Services | 102,099 | 0 | 1,571 | 103,670 | 14,192 | 117,862 |
| Director of Chief Executive's Department | 104,787 | 0 | 1,571 | 106,358 | 14,565 | 120,923 |
| | 862,390 | 0 | 11,113 | 873,503 | 119,952 | 993,455 |

11. Audit Fees

The following summarises the audit fees payable:

| | 2009/10 £000s | 2008/09 £000s |
|--|------------------|------------------|
| Fees payable 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 | 285 | 276 |
| Fees payable to the Audit Commission in respect of statutory inspection under Section 10 of the Local Government Act 1989 | 17 | 22 |
| Fees payable 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 | 60 | 63 |
| Fees payable in respect of any other services provided by the appointed auditor: | | |
| KPMG | 38 | 0 |
| Audit Commission | 2 | 3 |

The fees paid to KPMG in respect of services include £35,480 in relation to an elector's objection to the 2007/2008 accounts.

12. Pooled Budgets

Adult and Community Services have one formal pooled budget arrangement. Formal arrangements are in place using section 75 of the Health Act (2006):

- **Lead Commissioning and Pooled Budget Arrangements for an Integrated Equipment Service** – this is an equipment store that is provided by Adult and Community Services on behalf of the PCT and Children's Services. It is a borough-wide service.

Details are shown below:

| Integrated Community Equipment Store to support vulnerable people | | |
|--|----------------|----------------|
| | 2009/10 | 2008/09 |
| | £000s | £000s |
| Income: | | |
| Bolton Primary Care Trust Funding | (333) | (444) |
| Bolton MBC | (991) | (924) |
| Expenditure: | | |
| Employees | 358 | 314 |
| Premises | 138 | 152 |
| IT | 1 | 4 |
| Transport | 49 | 49 |
| Equipment | 778 | 849 |
| Net (Underspend)/Overspend | 0 | 0 |

13. Fixed Assets

13.1 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

On 30 March the Executive Member for Regeneration and Housing approved a report on the redevelopment of Commission St, around the university campus, and the subsequent loss of a number of council houses. The properties are currently occupied and tenants will be decanted over a period, possibly up to two years. These properties are currently valued at existing use value.

- **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 Paul Brown M.R.I.C.S. – Corporate Property Services. The Council's interest in land held by the 10 district Council around the Airport is based on a value obtained by Manchester City Council.

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

- **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.

13.2 Movements in Fixed Assets

| | Council Dwellings | Operational Property | Community Assets | Infrastructure | Vehicles, Plant etc | Non-operational Property | Intangible Assets | Work in Progress | PFI | Total |
|-------------------------------------|--------------------------|-----------------------------|-------------------------|-----------------------|----------------------------|---------------------------------|--------------------------|-------------------------|----------------|------------------|
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Cost or Valuation | | | | | | | | | | |
| Opening Balance | 689,844 | 434,911 | 8,671 | 98,766 | 38,973 | 88,972 | 2,557 | 821 | 10,700 | 1,374,215 |
| Prior year impairment | (35,744) | (21,831) | (1,637) | 0 | (142) | (13,538) | 0 | 0 | 0 | (72,892) |
| Additions | 654,100 | 413,080 | 7,034 | 98,766 | 38,831 | 75,434 | 2,557 | 821 | 10,700 | 1,301,323 |
| Disposals | 20,731 | 16,146 | 919 | 9,703 | 6,180 | 7,921 | 564 | 3,636 | 0 | 65,800 |
| Reclassification/other | (1,080) | (615) | 0 | 0 | 0 | (733) | 0 | 0 | 0 | (2,428) |
| Revaluations | (13,747) | (6,391) | (46) | 0 | (2,116) | (6,519) | (3) | (729) | 0 | (29,551) |
| Impairment on revaluation | 0 | 7,725 | 0 | 0 | 0 | 1,510 | 0 | 0 | 0 | 9,235 |
| | (11,901) | (7,345) | 0 | 0 | 0 | (3,701) | 0 | 0 | 0 | (22,947) |
| Balance at 31 March 2010 | 648,103 | 422,600 | 7,907 | 108,469 | 42,895 | 73,912 | 3,118 | 3,728 | 10,700 | 1,321,432 |
| Depreciation and Impairments | | | | | | | | | | |
| Opening Balance | (49,505) | (36,853) | (1,637) | (10,925) | (14,873) | (13,538) | (754) | 0 | (2,140) | (130,225) |
| Prior year impairment | 35,744 | 21,831 | 1,637 | 0 | 142 | 13,538 | 0 | 0 | 0 | 72,892 |
| | (13,761) | (15,022) | 0 | (10,925) | (14,731) | 0 | (754) | 0 | (2,140) | (57,333) |
| Charge in year: | | | | | | | | | | |
| Depreciation | (13,958) | (8,407) | (15) | (3,934) | (6,282) | 0 | (542) | 0 | (428) | (33,566) |
| Disposals | 0 | 30 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 30 |
| Reclassification/other | 0 | 623 | 0 | 0 | 2,308 | 0 | (26) | 0 | 0 | 2,905 |
| Revaluations | 13,761 | 2,309 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 16,070 |
| Balance at 31 March 2010 | (13,958) | (20,467) | (15) | (14,859) | (18,705) | 0 | (1,322) | 0 | (2,568) | (71,894) |
| Closing Net Book Value | 634,145 | 402,133 | 7,892 | 93,610 | 24,190 | 73,912 | 1,796 | 3,728 | 8,132 | 1,249,538 |
| Opening Net Book Value | 640,339 | 398,058 | 7,034 | 87,841 | 24,100 | 75,434 | 1,803 | 821 | 8,560 | 1,243,990 |

13.3 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.

13.4 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 | | Revenue funded by Capital | | Intangible Assets | | Total | |
|--|------------------|------------------|---------------------------|------------------|-------------------|------------------|------------------|------------------|
| | 2009/10 £000s | 2008/09 £000s | 2009/10 £000s | 2008/09 £000s | 2009/10 £000s | 2008/09 £000s | 2009/10 £000s | 2008/09 £000s |
| Loans | 22,322 | 18,087 | 682 | 3,292 | 9 | 0 | 23,013 | 21,379 |
| Capital Receipts | 4,733 | 6,286 | 290 | 975 | 291 | 20 | 5,314 | 7,281 |
| Grants | 22,616 | 16,650 | 8,694 | 7,953 | 167 | 778 | 31,477 | 25,381 |
| Revenue (includes Major Repairs Allowance) | 16,332 | 24,941 | 124 | 8 | 34 | 99 | 16,490 | 25,048 |
| Reserves | 299 | 547 | 108 | 150 | 62 | 0 | 469 | 697 |
| External Financing | 61 | 464 | 0 | 0 | 0 | 0 | 61 | 464 |
| Changes in creditors and under financing | (1,128) | 301 | (223) | (594) | 29 | (3) | (1,322) | (296) |
| Total Capital Expenditure | 65,235 | 67,276 | 9,675 | 11,784 | 592 | 894 | 75,502 | 79,954 |

13.5 Profile of Fixed Assets Held

An analysis of major fixed assets as at 31 March 2010 is given below.

Land and Buildings

Children's Services

| | |
|-----|------------------------------------|
| 155 | Schools Buildings |
| 11 | Pupil Referral Units |
| 36 | Children's Centres and Social Care |
| 26 | Youth and Play |

Adult Services

| | |
|----|---|
| 4 | Museums |
| 12 | Leisure Centres |
| 13 | Libraries |
| 12 | Social Care residential homes & day centres |
| 1 | Workshops |
| 3 | Offices |
| 8 | Community Centres |
| 1 | Houses and Bungalows |

Environmental Services

| | |
|-----|----------------------------|
| 226 | Operational land |
| 422 | Non-operational land |
| 37 | Community Assets |
| 1 | Market Hall & Car Park |
| 2 | Outdistrict Markets |
| 10 | Public Conveniences |
| 7 | Depots |
| 2 | Supported employment sites |
| 34 | Cemeteries/ Crematoria |
| 36 | Parks/Open spaces |

Corporate Resources

| | |
|-----|----------------------------------|
| 373 | Non-operational sites |
| 20 | Admin Buildings |
| 43 | Agricultural |
| 81 | Commercial |
| 22 | Land/Buildings awaiting disposal |
| 2 | Other Buildings |
| 112 | Garage Sites |
| 395 | Residential Ground Rents |
| 289 | Commercial Ground Rents |
| 211 | Industrial Ground Rents |
| 19 | Garden Ground Rents |
| 11 | Investment Estate |
| 10 | Residential |
| 22 | Community Use |

Development and Regeneration

| | |
|----|-----------------------|
| 1 | Non-Operational Land |
| 1 | Operational Land |
| 1 | Operational Buildings |
| 1 | Office Accommodation |
| 1 | Commercial Property |
| 72 | Industrial Units |

Housing

| | |
|----|------------------------|
| 15 | Community Centres |
| 1 | Homeless Accommodation |
| 1 | Caravan site |
| 26 | Properties purchased |
| 2 | UCANs |

Council Dwellings

| | |
|--------|-------------------------------|
| H.R.A. | |
| 12,128 | Houses/bungalows |
| 6,062 | Flats (including maisonettes) |
| 12 | Community Centres |
| 14 | HRA estate offices |
| 30 | Shops |
| 552 | Garages |

Infrastructure

| | |
|------------------------|--------------------------------|
| Environmental Services | |
| 128km | Principal Roads |
| 85km | Classified Non-principal roads |
| 684km | Unclassified roads |
| 6km | Ancient Highways |
| 98km | Back streets |
| 132km | Heavily used footways |
| 1,398km | Unclassified footways |

Vehicles/Plant/Furniture & Equipment

Various Items

14. Long Term Investments

The following table identifies the long-term investments held as at 31 March 2010:

| Investment – Shares | 31 March 2010 £000s | 31 March 2009 £000s |
|--|--------------------------------|--------------------------------|
| Manchester Airport Group PLC | 10,214 | 10,214 |
| J.P. Morgan | 298 | 242 |
| Local Education Partnership | 28 | 0 |
| Banks and other financial institutions | 12,130 | 11,000 |
| | 22,670 | 21,456 |
| Impairment | (1,803) | (1,717) |
| Total | 20,867 | 19,739 |

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 PLC. This represents 5% of the issued share capital. The company owns and develops the International Airport. In the year the Council received dividends of £1,000,000. The company's most recent accounts for the year ending 31 March 2009 indicated the company had net assets of £788.5m (£938.2m the previous year) and made a loss of £100.9m after taxation (£80.8m profit in the previous year).
- Further information and details of the Manchester Airport Group PLC financial statements may be obtained from the Company Secretary, Manchester Airport Group PLC, Manchester M90 1QX
- J.P. Morgan is an investment held for the benefit of the Maintenance of Graves in Perpetuity account which was previously a Trust Fund.
- Local Education Partnership investment relates to Bolton's share of local authority investment in the Blackburn with Darwen and Bolton Local Education Partnership to deliver Building Schools for the Future.
- In the course of Treasury Management activities, the Authority can make investments up to a maximum term of 3 years.
- The impairment relates to the Icelandic investments.

15. Long Term Debtors

| | 31 March 2010 £000s | 31 March 2009 £000s |
|--|--------------------------------------|--------------------------------------|
| Advances to Manchester Airport PLC | 8,972 | 8,163 |
| Mortgages | 13 | 28 |
| Tennis Arena Trust | 417 | 566 |
| Industrial Loans | 100 | 100 |
| Former Magistrates Authorities (10 Greater Manchester Districts) | 1,138 | 1,806 |
| Total | 10,640 | 10,663 |

16. Stocks

| | 31 March 2010 £000s | 31 March 2009 £000s |
|--------|--------------------------------------|--------------------------------------|
| Stocks | 1,390 | 797 |
| | 1,390 | 797 |

17. Debtors

The debtors can be analysed as follows:

| | 31 March 2010 £000s | 31 March 2009 £000s |
|---|--|--|
| Council Tax etc | 5,644 | 5,958 |
| Council House Rents | 1,688 | 1,724 |
| Central Government and Other Non-Departmental Government Bodies | 15,653 | 13,737 |
| H M Customs & Excise / Inland Revenue | 5,747 | 3,371 |
| Mortgages | 9 | 14 |
| Other Local Authorities | 435 | 1,146 |
| Car Purchase Schemes | 139 | 110 |
| Sundry Debtors | 15,793 | 17,799 |
| Capital Debtors | 1,924 | 2,698 |
| Sub Total | 47,032 | 46,557 |
| Less: Provision for Bad Debts | (8,671) | (8,256) |
| Total | 38,361 | 38,301 |

18. Creditors

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

| | 31 March 2010 £000s | 31 March 2009 £000s |
|-------------------------------|------------------------------------|------------------------------------|
| Tax and National Insurance | 6,592 | 6,682 |
| Superannuation | 1,749 | 1,707 |
| Other Local Authorities | 1,495 | 847 |
| Central Government Department | 10,330 | 7,338 |
| Capital Creditors | 30,871 | 14,040 |
| Treasury Management creditors | 36 | 1,463 |
| Developers Deposit accounts | 662 | 485 |
| Sundry Creditors | 38,419 | 37,396 |
| Total | 90,154 | 69,958 |

19. Long Term Borrowing

| Source of Loan | Interest Rates % | Total Outstanding 31 March | |
|---|-------------------------|-------------------------------|------------------|
| | | 2009/10 £000s | 2008/09 £000s |
| Public Works Loans Board | 1.34 to 13.75 | 254,051 | 296,361 |
| Bonds | 3.90 to 12.125 | 72,250 | 72,250 |
| Mortgages | 3.33 | 1 | 1 |
| Total Borrowing | | 326,302 | 368,612 |
| Less: Due Within 12 Months on Demand | | (67,494) | (42,311) |
| | | 258,808 | 326,301 |
| An Analysis of Loans by Maturity at 31 March :- | | | |
| Amounts of Principal to be Repaid | | | |
| Within 1 year | | 67,494 | 42,311 |
| In 1 to 2 Years | | 584 | 67,494 |
| In 2 to 5 Years | | 13,163 | 5,931 |
| In 5 to 10 Years | | 20,616 | 22,158 |
| After 10 Years | | 224,445 | 230,718 |
| | | 326,302 | 368,612 |

| Summary of Long Term Debt | 2009/10 £000s | 2008/09 £000 |
|----------------------------------|--------------------------|-------------------------|
| Long Term Loans | 258,808 | 326,301 |
| Schools Leasing | 1 | 53 |
| Private Finance Initiative | 9,253 | 9,515 |
| Interest Rate Equalisation | 762 | 780 |
| Premiums on debt redemption | (893) | (1,017) |
| Discounts on debt redemption | 1,907 | 2,589 |
| | 269,838 | 338,221 |

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

| | 2009/10 £000s | 2008/09 £000s |
|------------------------|--------------------------|--------------------------|
| Within 1 Year | 66,948 | 41,731 |
| 1 - 2 Years | 206 | 66,948 |
| 2 - 5 Years | 12,077 | 4,863 |
| 5 - 10 Years | 18,914 | 24,164 |
| After 10 Years | 228,157 | 230,906 |
| Total Borrowing | 326,302 | 368,612 |

20. Deferred Liabilities

| | Total Outstanding at 31 March | |
|-------------------------|--|--------------------------|
| | 2009/10 £000s | 2008/09 £000s |
| Former G.M.C. Debt (i) | 12,937 | 11,690 |
| Former L.C.C. Debt (ii) | 37 | 124 |
| Other (iii) | 31 | 31 |
| Total | 13,005 | 11,845 |

- (i) The Greater Manchester County Council (G.M.C.) ceased to exist on 31 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.

21. Provisions

| | 1 April 2009 £000s | Receipts in Year £000s | Payments in Year £000s | 31 March 2010 £000s |
|---|---------------------------------------|---------------------------------------|---------------------------------------|--|
| Self-Insurance – Liability and Fire (1) | 12,061 | 4,176 | (1,363) | 14,874 |
| Industrial Estates Dilapidation (2) | 245 | 138 | (130) | 253 |
| Other | 12 | 0 | (4) | 8 |
| Equal Pay | 4,265 | 6,376 | (3,541) | 7,100 |
| | 16,583 | 10,690 | (5,038) | 22,235 |

Notes

- (1) In accordance with FRS 12 the Insurance Liabilities at 31 March 2010 are estimated to be £14,874,000. An Insurance Reserve has been set up to hold any surplus or deficit on the Insurance Provision.
- (2) Leases on former Greater Manchester Council Industrial Estates are coming to an end and dilapidations payments are becoming due to landlords. Bolton acts as lead District for all such estates. These costs will ultimately be borne by the 10 districts in proportion to their population.
- (3) 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. This provision has been made to cover the potential future costs of known Equal Pay claims.

22. Capital Grants Unapplied

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

| | 2009/10 £000s | 2008/09 £000s |
|---------------------------------|--------------------------|--------------------------|
| Balance at Beginning of Year | 2,792 | 2,164 |
| add:- | | |
| Receipts in Year | 32,372 | 26,655 |
| less:- | | |
| Applied During the Year:- | | |
| Capital Financing | 0 | (213) |
| Revenue | (8,694) | (7,952) |
| Transfer to Deferred Grants A/c | (22,929) | (17,862) |
| Other Application | (42) | 0 |
| Balance at End of Year | 3,499 | 2,792 |

23. 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.

| | 2009/10 £000s | 2008/09 £000s |
|-------------------------------|--------------------------|--------------------------|
| Balance at Beginning of Year | 87,530 | 75,433 |
| Grants Received in Year | 22,929 | 17,862 |
| Depreciation Offset | (4,320) | (3,422) |
| Transfers to Other Accounts | (876) | (2,343) |
| Balance at End of Year | 105,263 | 87,530 |

24. Usable Capital Receipts Reserve

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

| | 2009/10 £000s | 2008/09 £000s |
|---|--------------------------|--------------------------|
| Balance of usable receipts at 1 April | (7,971) | (10,458) |
| Receipts in year | (3,484) | (7,372) |
| Capital Receipts applied in year | 5,314 | 7,281 |
| Pooling of Housing Capital Receipts | 1050 | 2,364 |
| Capital Receipts used to repay external loans | 0 | 0 |
| Other Movements | 0 | 214 |
| Balance of usable receipts at 31 March | (5,091) | (7,971) |

25. Revaluation Reserve

The Revaluation Reserve records the net gain from fixed asset revaluations made after 1 April 2007.

| | Total 2009/10 £000s | Total 2008/09 £000s |
|----------------------------------|------------------------------------|------------------------------------|
| Balance at 1 April | (70,211) | (12,458) |
| Revaluation of Fixed Assets | (9,235) | (68,073) |
| Disposal of Fixed Assets in Year | 259 | 76 |
| Impairments | 3,416 | 9,119 |
| Depreciation | 1,421 | 1,125 |
| Balance at 31 March | (74,350) | (70,211) |

26. Capital Adjustment Account

The Capital Adjustment Account reflects the difference between the cost of fixed assets consumed and the financing set aside to pay for them. The account is not available to supplement spending programmes of the Council.

| | Total 2009/10 £000s | Total 2008/09 £000s |
|----------------------------------|------------------------------------|------------------------------------|
| Balance at 1 April | (618,105) | (677,087) |
| Non reserve transfers | 38,526 | 60,889 |
| Transactions with other reserves | (5,096) | (1,907) |
| Balance at 31 March | (584,675) | (618,105) |

27. Available-for-sale Financial Instruments Reserve

This reserve has been created to accommodate movements in market values of "available-for-sale" financial assets so that unrealised gains or losses do not affect the Income and Expenditure account or resources available to the Council.

| | 31 March 2010 £000s | 31 March 2009 £000s |
|------------------------|------------------------------------|------------------------------------|
| Opening Balance | 219 | 358 |
| Movement in the year | 56 | (139) |
| Closing Balance | 275 | 219 |

28. Financial Instruments Adjustment Account

28.1 Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

| | Long Term | | Current | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| | 31 March 2010 £000s | 31 March 2009 £000s | 31 March 2010 £000s | 31 March 2009 £000s |
| Financial liabilities at amortised cost | | | | |
| Public Works Loans Board | 187,572 | 255,623 | 67,494 | 42,311 |
| Market Loans | 73,012 | 73,030 | 0 | 0 |
| Total borrowings | 260,584 | 328,653 | 67,494 | 42,311 |
| Loans and receivables | 2,000 | 8,000 | 38,560 | 7,165 |
| Available-for-sale financial assets (JP Morgan Trust) | 298 | 242 | 0 | 0 |
| Unquoted equity investments (Manchester Airport Group) | 10,214 | 10,214 | 0 | 0 |
| Total investments | 12,512 | 18,456 | 38,560 | 7,165 |

The Investment Trust holding is classified as “available for sale” and is valued at the price the Council could have realised for the holding at 31 March 2010 (i.e. fair value).

The shareholding in Manchester Airport Group is shown at historic cost because, although it is an equity investment, there is no established market for its shares.

28.2 Financial Instruments Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

| | Financial Liabilities | Financial Assets | | | |
|-----------------------------------|---|--|--|------------------------------------|------------------------|
| | Liabilities measured at amortised cost £000s | Loans and receivables £000s | Available-for-sale assets £000s | Equity investment £000s | Total £000s |
| Interest expense | 14,056 | 0 | 0 | 0 | 14,056 |
| Interest income | | 1,098 | 12 | 1,000 | 2,110 |
| Change on revaluation | | | 56 Gain | | 56 |
| Premiums - Gain* on Derecognition | | 162 | | | 162 |
| Discounts Loss* on Derecognition | | 722 | | | 722 |

Comparative figures for 2008/09 financial year are shown below:

| | Financial Liabilities | Financial Assets | | | |
|-----------------------------------|---|--|--|------------------------------------|------------------------|
| | Liabilities measured at amortised cost £000s | Loans and receivables £000s | Available-for-sale assets £000s | Equity investment £000s | Total £000s |
| Interest expense | 19,064 | | | | 19,064 |
| Interest income | | 3,812 | 17 | 1,300 | 5,129 |
| Change on revaluation | | | 139 Loss | | 139 Loss |
| Premiums - Gain* on Derecognition | | 286 | | | 286 |
| Discounts Loss* on Derecognition | | 364 | | | 364 |

* "Gain" or "Loss" in this context refers to the effect on the Balance Sheet as the amounts are charged to the Income and Expenditure Account Premiums constitute a charge to revenue whilst Discounts reduce the charge.

28.3 Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

For loans from the PWLB premature repayment rates from the PWLB at 31 March 2010 have been applied to provide the fair value under PWLB debt redemption procedures and discount rates ranging from 0.58% to 4.42% for other loans payable

No early repayment is recognised, impairment has been provided separately within the Bad Debt Provision.

Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value

The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

| | 31 March 2010 | | 31 March 2009 | |
|---|-----------------|----------------|-----------------|----------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | £000s | £000s | £000s | £000s |
| PWLB – Long Term | 187,572 | 212,054 | 255,623 | 292,525 |
| PWLB – Short Term | 67,494 | 67,494 | 42,311 | 42,311 |
| Bonds | 73,012 | 76,674 | 73,030 | 79,123 |
| Trade Creditors | 38,419 | 38,419 | 38,346 | 38,346 |
| Bank Overdrawn and short term borrowing | 55,179 | 55,179 | 21,215 | 21,215 |
| Total Financial Liabilities | 421,616 | 449,820 | 430,525 | 473,520 |
| Loan to Manchester Airport | 8,972 | 8,972 | 0 | 0 |
| Money Market Loans Less than One Year | 38,560 | 38,560 | 7,165 | 7,165 |
| Money Market Loans More than One Year | 4,225 | 4,208 | 8,000 | 8,000 |
| Trade Debtors | 18,231 | 18,231 | 18,444 | 18,444 |
| Total Loans and Receivables | 69,988 | 69,971 | 33,609 | 33,609 |

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

The fair value of money market loans does not vary significantly from the carrying value because the loans with more than a year to run at the balance sheet date mature mostly within the following three months.

The amount of Icelandic Bank deposits outstanding at the 31 March 2010 is £4.739m which is shown as Investments in Note 14. There is a bad debt provision of £1.803m (£1.717m at 31 March 2009) relating to the Icelandic Bank deposits. During the year the Authority received £1.417m in relation to the investment in Heritable Bank.

28.4 Disclosure of nature and extent of risks arising from financial instruments

The authority's activities expose it to a variety of financial risks:

Credit risk – the possibility that other parties might fail to pay amounts due to the authority

Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments

Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity when prevailing interest rates are disadvantageous

Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

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

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they are rated independently to have a sound credit rating. The Authority has a policy of not lending more than £6m of its surplus balances to one institution. There is a further policy of not lending more than £12m to any banking group.

The projected losses for the Council's investments in Heritable and Landsbanki as part of the worldwide banking crisis are the first experienced default on money market transactions since the Council's inception in 1974. Following those events new deposits are limited to a maximum period of one month and lending is restricted to only those institutions with the highest credit rating.

Where significant contracts are being entered in to customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council.

Liquidity risk

As the Authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Council manages its liquidity position through risk management procedures (the setting and approval of prudential indicators) and the approval of the Treasury Management Strategy including

borrowing and lending strategies. All trade and other payables are due to be paid in less than one year.

Refinancing Risk

The risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. Prudential Indicators limit the proportion of debt maturities in any period. A combination of careful planning when a new loan is taken out and making early repayment (when it is economic to do so) allows maturity patterns to be managed. The maturity analysis of financial liabilities is tabulated in note 19.

Market risk

Interest rate risk

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

Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise

Borrowings at fixed rates – the fair value of the liabilities borrowings will fall

Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise

Investments at fixed rates – are largely short term and thus there would be no balance sheet effect.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance £ for £.

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 55% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates and the Authority's cost of borrowing thus providing compensation for a proportion of any higher costs.

The treasury management function has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise on the impact of new borrowing taken out.

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

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

The impact of a 1% increase in interest rates has been assessed as follows:

| | £000s |
|--|--------------|
| Increase in interest payable on variable rate borrowings | 323 |
| Increase in interest receivable on variable rate investments | 0 |
| Increase in government grant receivable for financing costs | 0 |
| Impact on Income and Expenditure Account | 323 |
| Share of overall impact credited to the HRA | 184 |
| Decrease in fair value of "available-for-sale" investment assets – | 2 |
| Impact on STRGL | 2 |
| Decrease in fair value of fixed rate investment assets – | 0 |
| (no impact on I&E or STRGL) | |

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

The Authority does not generally invest in equity shares but does have a holding to the value of £0.3m in an investment trust, which will only be realised in favourable circumstances. The Authority consequently has minimal exposure to losses arising from movements in the prices of the shares.

The holding in the investment trust is classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in the STRGL.

Foreign exchange risk

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

29. Collection Fund Adjustment Account

The Collection Fund Adjustment Account reflects timing differences between statutory provisions for payments out of the Collection Fund and full accruals accounting.

30. Reserves and Revenue Balances

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

| | 1 April 2009 | Receipts | Payments | 31 March 2010 |
|---|---------------|---------------|-----------------|---------------|
| | £000s | £000s | £000s | £000s |
| Earmarked Statutory Reserves | | | | |
| Schools - Delegated Budgets | 5,696 | 546 | (162) | 6,080 |
| Trading Accounts | (65) | 73 | (2) | 6 |
| Major Repairs Reserve | 0 | 15,090 | (15,090) | 0 |
| Other Housing Revenue Account | 3,392 | 3,284 | 0 | 6,676 |
| Collection Fund | 0 | 0 | 0 | 0 |
| Total Earmarked Statutory Reserves | 9,023 | 18,993 | (15,254) | 12,762 |
| Earmarked Policy Reserves | | | | |
| Insurance | 7,249 | 173 | (391) | 7,031 |
| Other Central Reserves | 28,233 | 36,923 | (24,856) | 40,300 |
| Children's Services | 5,934 | 12,843 | (12,921) | 5,856 |
| Environmental Services | (2,487) | 6,036 | (5,072) | (1,523) |
| Development and Regeneration | (655) | 1,427 | (1,809) | (1,037) |
| Housing G.R.F. | 190 | 2,248 | (1,433) | 1,005 |
| Adult Services | 1,414 | 5,823 | (6,053) | 1,184 |
| Markets | (364) | 0 | (20) | (384) |
| Business Improvement District | 8 | 0 | (15) | (7) |
| Special Funding | 235 | 242 | (5) | 472 |
| Total Earmarked Policy Reserves | 39,757 | 65,715 | (52,575) | 52,897 |
| General Fund Balance | 7,715 | 0 | (323) | 7,392 |
| Total Reserves & Balances | 56,495 | 84,708 | (68,152) | 73,051 |

31. Long Term Obligations

The Council procured a new school, library, training centre and community facility at Castle Hill through a Public Finance Initiative (PFI). Under the 2009 SORP the asset is now included on the balance sheet although it is not in the Council's ownership. The Council is committed to an annual unitary payment of £1.5m increasing annually by RPI until 2028/29.

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 into an 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.

32. Significant Commitments under Capital Contracts

The Authority is committed to undertake the following expenditure:

| Approved And Contracted Schemes | £000s |
|--|---------------|
| Housing | |
| HRA Capital Programme 2010/11 | 9,000 |
| Development and Regeneration | |
| Bolton One-Bolton Funco1 Ltd | 10,383 |
| Environmental Services | |
| Highways Capital Programme | 553 |
| Non Highways Capital | 414 |
| Total | 20,350 |

| Schemes Approved But Not Contracted | £000s |
|--|---------------|
| Adult Services | |
| Slippage across Capital Programme | 3,135 |
| Corporate Resources | |
| Farnworth Market Precinct | 500 |
| Carbon Management Programme | 200 |
| Victoria Square Accommodation | 365 |
| Amenity Improvements | 108 |
| Bolton Arena | 100 |
| Data Network | 295 |
| IT infrastructure and Security | 642 |
| Virtualisation | 125 |
| Access Points | 1,300 |
| Oracle Development | 105 |
| ICT Business Continuity | 250 |
| LAN Network maintenance | 650 |
| Carbon Management Programme | 100 |
| Asset Management Plan | 2,767 |
| Health and Safety | 462 |
| Crescent House | 345 |
| Children's Services | |
| Building Maintenance | 1,060 |
| Primary Capital Programme | 21,114 |
| Kitchen and Dining Rooms | 2,118 |
| 14 – 19 Diplomas, SEN and Disabilities | 1,000 |
| Housing | |
| GRF Capital programme 2010/11 | 5,435 |
| HRA Capital programme 2010/11 | 8,100 |
| Development and Regeneration | |
| Capital Slippage | 819 |
| Environmental Services | |
| Highways Capital Slippage | 7,316 |
| Non Highways Capital Slippage | 1,588 |
| Total | 59,999 |

33. 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, some 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 18 June 2001. The company provided the Council with stop loss public and employer's 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 a 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.

- **Unequal 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. A provision has been made in the balance sheet to cover the potential future costs of known claims. Other claims may be made but the Council believes it has no further liability.

- **Metrolink**

The Association of Greater Manchester Authorities (AGMA), the Greater Manchester Passenger Transport Authority and Executive (PTA/E) and the Department for Transport (DFT) for Metrolink phase 3a have entered into a partnership funding approach.

Within the agreement the DFT contribution is capped at £244m in cash and that the PTA/E and the AGMA authorities are jointly and severally responsible for meeting all costs over and above that sum on the strict understanding that the scope of the scheme granted full approval is delivered. The scheme is fully funded at present and the above arrangement will only be operative if it is exceeded. Strict monitoring arrangements will be put in place by all parties to minimise the risk of that happening.

A separate business case is being compiled to extend the metrolink from 3a to 3b (ie to extend the metrolink to Ashton-under-Lyne). This funding and prioritisation proposal has been formally submitted to the Secretary of State for approval.

34. Contingent Assets

Additional income of up to £1.624m will be generated from Adult Social Care clients when assets are sold under the provisions of Section 55 of the Health and Social Care Act 2001.

35. 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.

| | 2009/10 | 2008/09 |
|-----------------------|----------------|----------------|
| | £m | £m |
| General Fund | (31) | 109 |
| HRA | 319 | 460 |
| Trading Organisations | 0 | 9 |
| Total | 288 | 578 |

36. Dedicated Schools Grant

The Council's expenditure is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the Schools Finance (England) Regulations 2008. The Schools' Budget included elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2009/10 are as follows:

| | Schools Budget Funded by Dedicated Schools Grant | | |
|--|---|--|------------------------|
| | Central expenditure £000s | Individual Schools Budget £000s | Total £000s |
| Final DSG for 2009/2010 | | | 171,392 |
| Brought forward from 2008/2009 | | | 350 |
| Carry forward to 2010/2011 agreed in advance | | | (350) |
| Agreed Budget Distribution in 2009/2010 | 19,703 | 151,689 | 171,392 |
| Actual central expenditure | 18,419 | 0 | 18,419 |
| Actual ISB deployed to schools | 0 | 151,689 | 151,689 |
| Local Authority contribution | 0 | 0 | 0 |
| In year reserves and DSG carry forward | 1,284 | 0 | 1,284 |
| Carry forward for 2008/2009 | | | 350 |
| Carry forward to 2010/2011 | | | 1,634 |

The carry forward can be further analysed as follows:

| | Schools Budget Funded by Dedicated Schools Grant | | |
|------------------|---|---|------------------------|
| | Central Expenditure £000s | Individual Schools Budget £000 | Total £000s |
| DSG Creditor | 282 | 68 | 350 |
| Schools Balances | 0 | 1,284 | 1,284 |
| | 282 | 1,352 | 1,634 |

37. Notes to the Cash Flow Statement

37.1 Revenue Cash Flow Reconciliation

The revenue cash flow can be reconciled to the Deficit on the I&E Account as follows:

| | 2009/10 £m | 2008/09 £m |
|--|---------------|---------------|
| Deficit / (Surplus) as per the I&E | 32.0 | 61.1 |
| Adjustments for Non-Cash Movements in Revenue Account | | |
| Depreciation & Impairment | (57.4) | (84.3) |
| Fixed Asset Disposal | 1.0 | 2.8 |
| Amortisation of Deferred grant | 4.4 | 3.4 |
| Change in Provisions | (5.7) | (1.7) |
| Change in Debtors and Prepayments | 2.1 | (6.3) |
| Change in Stocks | 0.6 | (0.1) |
| Change in Creditors | (3.4) | 7.1 |
| Capital Adjustments | 13.2 | (8.9) |
| Collection Fund Surplus | (0.7) | (1.1) |
| Pension Cost | (5.0) | (8.5) |
| Net Revenue Cash Outflow / (Inflow) | (18.9) | (36.4) |

37.2 Movements in Cash

| Movements in Cash | 31 March 2010 £m | 31 March 2009 £m | (Increase) / Decrease in Cash £m |
|----------------------|------------------------|------------------------|---|
| Bank Overdrawn | (10.1) | (5.2) | 4.9 |
| Cash and Bank | 20.6 | 9.6 | (11.0) |
| Total In hand | 10.5 | 4.4 | (6.1) |

37.3 Movement in Liquid Resources

| Movements in Short Term Investments | 31 March 2010 £m | 31 March 2009 £m | Increase / (Decrease) £m |
|--|-----------------------------|-----------------------------|-------------------------------------|
| Opening Balance | 17.0 | 43.4 | (26.4) |
| Invested in the year | 575.1 | 327.0 | 248.1 |
| Redeemed in the year | (571.7) | (353.4) | (218.3) |
| Closing Balance | 20.4 | 17.0 | 3.4 |

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

| | Balance 1 April 2009 £m | Movement in the year £m | Non – Cash £m | Balance 31 March 2010 £m |
|------------------------|--|--|------------------------------|---|
| Cash overdrawn | (5.2) | (5.0) | 0 | (10.2) |
| Cash in hand | 9.6 | (2.6) | 13.6 | 20.6 |
| Long-term borrowing | (338.2) | 67.8 | 0.6 | (269.8) |
| Short-term borrowing | (58.4) | (55.1) | (0.6) | (114.1) |
| Short-term investments | 17.0 | 17.0 | (13.6) | 20.4 |
| Net Debt | (375.2) | 22.1 | 0 | (353.1) |

37.5 Government Grants & Contributions

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

| | 31 March 2010 | 31 March 2009 |
|------------------------------------|----------------------|----------------------|
| | £m | £m |
| Dedicated Schools Grant | 171.4 | 171.0 |
| Housing Subsidy | 7.4 | 7.0 |
| Standards Fund / Grant / Threshold | 29.7 | 33.0 |
| Learning and Skills Council | 9.5 | 9.8 |
| District Health Contributions | 15.6 | 15.3 |
| Area Based Grant | 25.6 | 23.0 |
| Supporting People | 9.8 | 9.1 |
| Children's Centres | 11.6 | 9.4 |
| Regional Housing Grant | 5.6 | 5.1 |
| Other Grants | 23.6 | 25.5 |
| Total | 309.8 | 308.2 |

38. 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 April 2009 | Income | Expenditure | Balance at 31 March 2010 | Represented by | | |
|--------------------------------------|----------------------------|-----------------|------------------|-----------------------------|-----------------------------|------------------------|-------------------|
| | | | | | Cash / Other Balances | External Investment | Total |
| | £ | £ | £ | £ | £ | £ | |
| Environmental Services | | | | | | | |
| Red Lion Playing Field Trust | 1,952.08 | 8.26 | 0 | 1,960.34 | 1,960.34 | 0 | 1,960.34 |
| F. Greenhalgh Prize | 76.75 | 0.52 | 0 | 77.27 | 77.27 | 0 | 77.27 |
| Topps Trust Fund | 1,665.72 | 0.46 | 19.75 | 1,646.43 | 1,646.43 | 0 | 1,646.43 |
| Adult Services | | | | | | | |
| General Assistance | 21,200.61 | 0 | 21,200.61 | 0 | 0 | 0 | 0 |
| Workshops & Homes for the Elderly | 67,613.06 | 459.87 | 0 | 68,072.93 | 68,072.93 | 0 | 68,072.93 |
| Blair Sick Fund | 10,770.72 | 62.55 | 0 | 10,833.27 | 9,202.72 | 1,630.55 | 10,833.27 |
| Children's Services | | | | | | | |
| Leigh Bramwell | 47,838.01 | 3,306.89 | 1,280.00 | 49,864.90 | 9,612.43 | 40,252.47 | 49,864.90 |
| Westhoughton Education Trust | 20,876.50 | 1,051.66 | 950.00 | 20,978.16 | 4,820.46 | 16,157.70 | 20,978.16 |
| Eagley Bridge | 9,373.94 | 93.10 | 574.99 | 8,892.05 | 8,892.05 | 0 | 8,892.05 |
| Total | 181,367.39 | 4,983.31 | 24,025.35 | 162,325.25 | 104,284.63 | 58,040.72 | 162,325.35 |

39. Post Balance Sheet Events

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Greater Manchester Pension Fund by around 6-8%.

Housing Revenue Account HRA

Income and Expenditure Account

| | 2009/10 £000s | 2008/09 £000s |
|--|------------------|------------------|
| Income | | |
| Dwellings (note 1) | 51,748 | 50,536 |
| Non-Dwelling | 314 | 329 |
| Charges for services and facilities | 447 | 405 |
| Contribution towards expenditure (from General Fund (note 5)) | 788 | 577 |
| NRF and other grants | 0 | 0 |
| HRA Subsidy Receivable (note 4) | 7,387 | 6,715 |
| Sums directed by Secretary of State that are income in accordance with UK GAAP | 0 | 0 |
| Total Income | 60,684 | 58,562 |
| Expenditure | | |
| Repairs and maintenance (note 2) | 15,049 | 14,583 |
| Supervision and management | 18,262 | 17,822 |
| Rents, rates, taxes and other charges | 200 | 148 |
| Increase in bad debts provision (note 3) | 225 | 214 |
| Housing benefits payments | 0 | 0 |
| Depreciation (note 10) | 27,188 | 43,236 |
| Debt management costs | 97 | 95 |
| Total expenditure | 61,021 | 76,098 |
| Net Cost of HRA Services per Authorities income and expenditure account | 337 | 17,536 |
| HRA share of corporate and democratic core | 0 | 0 |
| HRA share of other amounts included in whole Authority | 0 | 0 |
| Net Cost of HRA Services | 337 | 17,536 |
| Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements (if any) | (1,557) | (932) |
| Interest payable | 9,027 | 12,393 |
| Amortisation of premiums and discounts | 0 | 0 |
| Interest and investment income | (62) | (245) |
| Pensions interest cost and expected return on pensions assets | 0 | 0 |
| (Surplus) or deficit for the year on HRA services | 7,745 | 28,752 |

Statement of Movement on the HRA Balance

| | 2009/10 £000s | 2008/09 £000s |
|--|--------------------------|--------------------------|
| (Surplus) or Deficit for the year on the HRA Income and Expenditure Account | 7,745 | 28,752 |
| Net additional amount required by statute to be debited to the HRA balance | (10,900) | (22,067) |
| Increase or decrease in the Housing Revenue Account Balance | (3,155) | 6,685 |
| Housing Revenue Account surplus b/f | (3,336) | (10,021) |
| Housing Revenue Account balance c/f | (6,491) | (3,336) |

Note to the Statement of Movement on the HRA Balance

| | 2009/10 £000s | 2008/09 £000s |
|--|--------------------------|--------------------------|
| Difference between amounts charged to income & expenditure for amortisation of premiums & discounts and the charge for year | (250) | (73) |
| Difference between any other item of income & expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements (if any) | 1,557 | 932 |
| Net charges made for retirement benefits | 0 | 0 |
| Difference between any other item of income and expenditure determined in accordance with SORP and determined in accordance with HRA statutory requirements | (12,676) | (28,710) |
| Transfer to/from major repairs reserve | (1,236) | (3,887) |
| Transfer to/from Housing Repairs account | 0 | 0 |
| Employers contribution payable to the pension fund | 0 | 0 |
| Voluntary set aside for debt repayment | 80 | 0 |
| Capital expenditure funded by HRA | 1,625 | 9,671 |
| Net additional amount required by statute to be debited or credited to the HRA | (10,900) | (22,067) |

Notes to the Housing Revenue Account

1 Housing Revenue Account Stock

The Council owned 18,192 dwellings at 31 March 2010 which are analysed below:

| | At 31 March 2010 | At 31 March 2009 |
|-----------------------------------|---------------------|---------------------|
| Houses and Bungalows | 12,130 | 12,157 |
| Low Rise Flats and Maisonettes | 4,719 | 4,719 |
| Medium Rise Flats and Maisonettes | 1,062 | 1,064 |
| High Rise Flats and Maisonettes | 281 | 281 |
| Shared Ownership | 0 | 0 |
| | 18,192 | 18,221 |

2 Housing Repairs Account

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

| | 2009/10 £000s | 2008/09 £000s |
|-------------------------------|------------------|------------------|
| Balance at Beginning of Year | 0 | 0 |
| Add | | |
| Revenue Contribution | 13,090 | 12,490 |
| | 13,090 | 12,490 |
| Less: Expenditure in the Year | | |
| Responsive Repairs | 13,090 | 12,490 |
| | | |
| Balance at End of Year | 0 | 0 |

In 2009/2010 other maintenance work totalling £813k had been undertaken. The client cost of managing the R&M programme (£1,146k) has now also been reflected under Repairs and Maintenance Costs. This gives overall R&M costs of £15,049k.

3 Rent Arrears

| | At 31 March 2010 £000s | At 31 March 2009 £000s |
|----------------------------------|------------------------------|------------------------------|
| Current Tenants | 811 | 852 |
| Former Tenants | 834 | 872 |
| Other arrears | 0 | 0 |
| Total Arrears at 31 March | 1,645 | 1,724 |

The total provision for uncollectable debts at 31 March 2010 was £1,065,449. The provision at 31 March 2009 was £1,131,868.

4 Housing Revenue Account Subsidy

The subsidy due for the year is detailed below:

| | At 31 March 2010 £000s | At 31 March 2009 £000s |
|---|------------------------------|------------------------------|
| Management and Maintenance & Rent Allowance | (22,779) | (23,140) |
| Charges for Capital | 4,430 | 6,550 |
| Major Repairs Allowance (see also note 9) | 13,276 | 10,639 |
| ALMO revenue subsidy | 12,605 | 12,605 |
| | 7,532 | 6,654 |
| Prior Year Adjustment | (145) | 61 |
| Total Subsidy Due for the Year | 7,387 | 6,715 |

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 (£594k). There was also a contribution from the Councils Area Based Grant (ABG) of £194k towards the running of the UCAN buildings on some estates which again benefit the whole community.

6 Value of Capital Assets

| | At 31 March 2010 £000s | At 31 March 2009 £000s |
|---------------------------|------------------------------|------------------------------|
| Operational Assets | | |
| Dwellings | 634,145 | 640,339 |
| Buildings | 5,112 | 4,910 |
| | 639,257 | 645,249 |
| Non Operational | | |
| Equipment | 614 | 1,016 |
| Land | 175 | 224 |
| Total | 640,046 | 646,489 |

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

The open market value of council dwellings at 31 March 2009 is £1,309.5m, compared to £1,316.7m as at 31 March 2008. 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 2009/10

Capital expenditure for the year totalled £20,731k and has been financed as follows:

| | 2009/10 £000s | 2008/09 £000s |
|---|--------------------------|--------------------------|
| Loans | 5,900 | 4,000 |
| Major Repairs Allowance (See also note 9) | 13,276 | 10,654 |
| Capital Receipts | 504 | 1,943 |
| Grants | 0 | 0 |
| Revenue | 1,625 | 9,672 |
| Change in Capital Creditors | (574) | (857) |
| Total Capital Expenditure | 20,731 | 25,412 |

Capital Expenditure was incurred over the following assets

| | 2009/10 £000s | 2008/09 £000s |
|----------------------------------|--------------------------|--------------------------|
| Council Housing | 20,731 | 24,918 |
| Non operational Assets | 0 | 149 |
| Equipment | 0 | 345 |
| Total Capital Expenditure | 20,731 | 25,412 |

8 Capital Receipts 2009/10

The following capital receipts were received in the year:

| | 2009/10 £000s | 2008/09 £000s |
|-------------------------------|--------------------------|--------------------------|
| Sale of Dwellings | 1,566 | 3,318 |
| Sale of Land | 30 | 100 |
| Other property | 70 | 0 |
| Total Capital Receipts | 1,666 | 3,418 |

9 Major Repairs Account

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

| | 2009/10 £000s | 2008/09 £000s |
|---|------------------|------------------|
| Balance at Beginning of Year | 0 | 16 |
| Add: depreciation charged to HRA (see Note 10) | 14,512 | 14,525 |
| Add: Difference between Major Repairs allowance and depreciation charged to revenue | (1,236) | (3,887) |
| | 13,276 | 10,654 |
| Less: Expenditure in the Year | | |
| Contribution to capital programme | 13,276 | 10,654 |
| Balance at End of Year | 0 | 0 |

At year end, the depreciation charge was higher than the Major Repairs Allowance. Government rules require that the difference between the depreciation charges (£14.512m) and the Major Repairs Allowance (£13.276m) 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.

| | 2009/10 £000s | 2008/09 £000s |
|---|------------------|------------------|
| Operational Assets : dwellings | 13,958 | 14,015 |
| Operational Assets : other land & buildings | 152 | 171 |
| | 14,110 | 14,186 |
| Equipment | 402 | 339 |
| Total Depreciation Charged | 14,512 | 14,525 |

The depreciation policy remains the same as that used in 2008/09.

- Dwellings & other buildings are depreciated based over a useful life of 45 years or the District Valuers estimated life where different.
- Equipment is depreciated based over a useful life of 5 years

The depreciation and impairment of fixed assets include a downward revaluation or impairment totalling £12,741k, this amount has been applied to reduce the net book value of council dwellings and operational buildings to reflect falling prices in accordance with the valuation report. It also includes (£65k) amortisation of deferred Neighbourhood Renewal Fund grant.

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 | 2009/10 £000s | 2008/09 £000s |
|---|-------|------------------|------------------|
| Income | | | |
| Council Tax | 1 | 93,287 | 90,217 |
| Transfers from General Fund: | | | |
| Council Tax Benefit | | 22,821 | 20,068 |
| Residual Community Charge | | | |
| Business Rates | 2 | 83,991 | 79,354 |
| | | 200,099 | 189,639 |
| Expenditure | | | |
| Precepts and Demands | 3 | 114,113 | 108,666 |
| Business Rates: | | | |
| Payment to National Pool | | 83,487 | 78,746 |
| Cost of Collection Allowance | | 405 | 398 |
| Interest on Refunds | | 99 | 210 |
| Council Tax Bad and Doubtful Debts / Appeals: | | | |
| Provisions | | 454 | 897 |
| Write Offs | | 675 | 871 |
| Contribution towards Previous Years' Estimated Collection Fund Surplus | | 0 | 1,051 |
| | | 199,233 | 190,839 |
| Surplus/(Deficit) for the Year | | 866 | (1,200) |
| Surplus at Beginning of Year | | 0 | 1,200 |
| Surplus at End of Year | | 866 | 0 |

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 2009/10 in the following table:

| | Range of Values | Total Number of Dwellings After Adjustments * | Specified Fraction | Band D Equivalent | % of Total Band D |
|-----------------|----------------------|---|--------------------|-------------------|-------------------|
| Band A disabled | Up to £40,000 | 115 | 5/9 | 64 | 0.1% |
| Band A | Up to £40,000 | 51,938 | 6/9 | 34,625 | 41.2% |
| Band B | £40,000 to £52,000 | 17,658 | 7/9 | 13,734 | 16.4% |
| Band C | £52,001 to £68,000 | 16,162 | 8/9 | 14,366 | 17.1% |
| Band D | £68,001 to £88,000 | 9,325 | 1 | 9,325 | 11.1% |
| Band E | £88,001 to £120,000 | 4,776 | 11/9 | 5,837 | 7.0% |
| Band F | £120,001 to £160,000 | 1,977 | 13/9 | 2,855 | 3.4% |
| Band G | £160,001 to £320,000 | 1,618 | 15/9 | 2,696 | 3.2% |
| Band H | More than £320,000 | 191 | 18/9 | 382 | 0.5% |
| Total | | 103,760 | | 83,884 | 100.0% |

Estimated collection rate 98%

Council Tax base for tax setting 2009/10 82,206

* 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 (48.1p in 2009/10, compared to 46.2p in 2008/09) 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 | | 97,814 |
| Less: Transitional and Other Relief Arrangements | | (12,250) |
| Less: Bad Debts / Provision for Bad Debts | | 85,564 (1,573) |
| | | 83,991 |
| Cost of Collection Allowance | (405) | |
| Interest on Refunds | (99) | (504) |
| Net Contribution to N.N.D.R. Pool | | 83,487 |

The NNDR rateable value for the Council's area at the 31 March 2010 was £207,441,233 compared to £208,855,787 at the 31 March 2009.

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 £100,608,231 in 2009/10 (approximately £377.81 per head of a population of 266,293). 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 2009/10, with the figures for 2008/09 for comparison:

| | 2009/10 £000s | 2008/09 £000s |
|---|------------------|------------------|
| Bolton M.B.C. Demand | 98,853 | 94,295 |
| Greater Manchester Police Authority Precept | 11,037 | 10,280 |
| Greater Manchester Fire and Civil Defence Authority Precept | 4,223 | 4,091 |
| Total Demands and Precepts | 114,113 | 108,666 |

Group Accounts

1 Bolton at Home Ltd

On December 1 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 acquisition method and eliminates transactions between them.

Group Revenue Account

The accounts for Bolton at Home Ltd covering the twelve months to 31 March 2010, subject to audit, show a net profit of £584,000 for the year on turnover of £47.2m and net book value of £1,244,000 (before FRS17 Pensions adjustment). In the previous 12 month period to 31 March 2009 the company had a turnover of £45.3m and made a profit of £441,000.

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.

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

| 2008/09 Net Exp | | 2009/10 | | |
|-----------------------|--|---------------------|------------------------|----------------|
| | | Gross Exp £ms | Gross Income £ms | Net Exp £ms |
| | Continuing Services | | | |
| 242.6 | General Fund | 635.5 | 411.7 | 223.8 |
| 16.5 | Housing Revenue Account | 59.0 | 60.6 | (1.6) |
| 19.9 | Non Distributed Costs | 42.2 | 31.4 | 10.8 |
| 4.6 | Exceptional Item | 6.4 | 1.6 | 4.8 |
| 283.6 | Net Cost of Services | 743.1 | 503.2 | 237.8 |
| (2.8) | Loss on Disposal of Fixed Assets | | | (1.0) |
| 0.4 | Parish Precepts | | | 0.4 |
| (0.6) | Trading Account Gross (Surplus) / Deficit | | | 0.9 |
| 2.4 | Capital Receipts Pooling | | | 1.0 |
| 6.1 | Pension Interest Cost and expected return on Pension assets | | | 15.6 |
| (6.0) | Interest & Dividends received | | | (3.2) |
| 20.8 | Interest Paid | | | 16.3 |
| 303.9 | Net Operating Expenditure | | | 267.8 |
| (42.3) | General Government Grant | | | (52.6) |
| (105.0) | National Non Domestic Rates | | | (100.6) |
| (94.3) | Council Tax | | | (98.9) |
| 62.3 | Deficit for year | | | 17.8 |
| (62.7) | Net additional amount required by statute and non-statutory proper practices to be debited and credited to General Fund balances in the year | | | (18.1) |
| (0.4) | (Increase) / Reduction in General Fund balance in the year | | | (0.3) |
| (7.9) | Fund Balance brought forward (net of markets reserve) | | | (8.3) |
| (8.3) | Fund Balance carried forward | | | (8.6) |

Statement of Recognised Gains or Losses

| 2008/09 £m | | 2009/10 £m |
|---------------|---|---------------|
| 62.3 | Deficit for the year on the Income and Expenditure Account | 17.8 |
| (59.7) | Surplus arising on the revaluation of Fixed Assets | (8.9) |
| 85.6 | Actuarial (gains) / losses on pension fund assets and liabilities | 294.4 |
| 6.3 | Transfer of Schools / Financing Adjustments / Collection Fund / Prior Year | 10.5 |
| 94.5 | Total Recognised Losses for the year | 313.8 |

Balance Sheet

The Group Balance Sheet is as follows:

| | 31 March 2010 £m | 31 March 2009 £m |
|--|-----------------------------------|-----------------------------------|
| Long Term Assets | 1,275.1 | 1,274.4 |
| Current Assets | | |
| Investments | 20.4 | 17.0 |
| Stock & WIP | 1.6 | 1.0 |
| Debtors and Prepayments | 43.1 | 41.6 |
| Cash in hand | 26.6 | 9.7 |
| Current Liabilities | | |
| Temporary Borrowing | (114.1) | (58.3) |
| Creditors | (89.2) | (69.6) |
| Cash Overdrawn | (10.2) | (5.2) |
| Long Term Liabilities | (413.8) | (456.9) |
| Pension Liabilities | (481.5) | (181.9) |
| Total Assets less Total Liabilities | 258.0 | 571.8 |
| Fund Balances and Reserves | 258.0 | 571.8 |

Cash Flow

The Group Cash Flow Statement is set out below:

| | 31 March 2010 | | 31 March 2009 | |
|--|----------------------|---------------|----------------------|---------------|
| | £m | £m | £m | £m |
| Revenue Activities | | | | |
| Cash Outflows | | | | |
| Cash paid to and on behalf of employees | 336.1 | | 331.3 | |
| Other Operating Expenditure | 311.0 | | 316.7 | |
| Housing Benefit Paid Out | 44.8 | | 36.6 | |
| | | 691.9 | | 684.6 |
| Cash Inflows | | | | |
| Rents (after rebates) | (25.1) | | (27.3) | |
| Council Tax/Community Charge Receipts | (77.2) | | (77.1) | |
| Non-Domestic Rates from pool | (100.6) | | (105.0) | |
| Revenue Support Grant | (23.2) | | (14.5) | |
| Grants for Council Tax and Housing Benefits | (100.0) | | (87.9) | |
| Other Grants and Contributions | (309.8) | | (308.2) | |
| Cash Received for Goods, Services Etc | (87.7) | (723.6) | (116.1) | (736.1) |
| | | (31.7) | | (51.5) |
| Returns on Investments & Servicing of Finance | | | | |
| Cash Outflows | | | | |
| Expenditure - Interest Paid | | 16.1 | | 19.8 |
| Cash Inflows | | | | |
| Income - Interest and Dividends Received | | (3.2) | | (4.6) |
| Revenue Cash Outflow / (Inflow) | | (18.8) | | (36.3) |
| Capital Activities | | | | |
| Cash Outflows | | | | |
| Purchase of Fixed Assets | 69.6 | | 67.0 | |
| Intangible Assets | 0.6 | | 0.9 | |
| Remittance to DCLG | 1.1 | 71.3 | 2.2 | 70.1 |
| Cash Inflows | | | | |
| Capital Receipts | (3.5) | | (7.4) | |
| Capital Grants Received | (32.4) | | (18.2) | |
| Capital Contribution | (0.1) | | (0.5) | |
| Other Capital Cash | (50.0) | (86.0) | (0.2) | (26.3) |
| Net Cash(inflow) / outflow before financing | | (33.5) | | 7.5 |
| Management of Liquid Resources | | | | |
| Net increase /(decrease) in short term deposits | | 13.1 | | (25.4) |
| Net Increase / (decrease) in long term deposits | | 1.1 | | 1.3 |
| Financing | | | | |
| Cash Outflows | | | | |
| Repayment of Amounts Borrowed | | 118.1 | | 210.0 |
| Cash Inflows | | | | |
| New Loans Raised | | (104.8) | | (198.9) |
| INCREASE IN CASH | | (6.0) | | (5.5) |

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 Ventures Ltd.
- Bolton Community Homes Ltd.
- Bolton Community Leisure Limited
- Bolton Enterprise Centre Ltd
- Bolton Literacy Trust
- Bolton Middlebrook Leisure Trust Ltd
- Bolton Wise Ltd
- Bolton Young Persons Housing Scheme
- Chamber Business Connections Ltd.
- Integrated Transport Smart Card Organisation Ltd.
- North West Tourist Board
- Octagon Theatre Company Ltd
- Yorkshire Purchasing Organisation
- Bolton / Blackburn with Darwen Local Education Partnership

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 note 38 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 Chapeltown 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 gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2010.

Stephen M Arnfield
Director of Corporate Resources
28 June 2010

Annual Governance Statement

Scope of responsibility:

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

In discharging this overall responsibility Bolton Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

Bolton Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.bolton.gov.uk/Council&Democracy or can be obtained from The Director of Chief Executive's Department. This statement explains how Bolton Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT: FRAMEWORK

The purpose of the governance framework

The governance framework comprises the systems and processes and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

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

The governance framework has been in place at Bolton Council for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

- 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 robust process for member development which identifies individual needs and action plans for development.
- The Council has a well developed performance management process which identifies clear targets against agreed priorities, monitors and reports performance and, where necessary implements improvement actions.
- 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.
- The Council's financial management arrangements comply fully with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010).
- Value for Money is promoted across the organisation through the Council's Corporate Planning Business Process. The council has in place a timetable for formal value for money reviews or studies and further reviews arising through other means e.g. scrutiny, customer feed back, benchmarking, inter-authority initiatives.
- Protocols are in place to manage the many partnership arrangements that the Council has.
- The financial management of the authority is structured through Financial Regulations and financial Standing Orders, which are subject to regular review and approval 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
- The Council has in place an Investigations Panel which reviews and coordinates all investigations undertaken to ensure good practice is shared, any sanctions are consistent, and the organisation learns from the experience.
- Standards Committee has set up a process for local assessment of allegations of failure to comply with the Code of Conduct for Members, this process has been used.

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT: FRAMEWORK

Review of effectiveness

Bolton Council has responsibility for conducting, at least annually a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit and Risk's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The review of governance arrangements is defined in the Council's Assurance Framework which illustrates the individual elements of assurance. Elements of the review are shown below:

- Ongoing assessment against the CIPFA/SOLACE framework; *Delivering Good Governance in Local Government Framework*.
- Annual review of Internal audit
- Annual and interim reports of Head of Internal Audit & Risk.
- External Audit Reviews
- Annual statements of individual directors.
- Risk management and performance management systems.
- Audit Committee work plan and annual report to Council.
- Feedback from the CPA/CAA assessment
- Feedback from external inspectors and agencies.
- Customer feedback.
- Review of Internal Audit
- Internal audit review of the Annual Governance Statement process
- Review against CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010).

The review process is managed by the AGS Management Group which comprises; the Chief Executive, Director of Corporate Resources, and the Monitoring Officer. Progress is reported to; the Executive, The Standards Committee, and Audit Committee as necessary. The Annual Governance Statement is reported to Audit Committee for review with formal approval by The Constitutional Panel.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Audit Committee and Constitutional Panel and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant governance issues:

The review process has not identified any significant governance issues for the relevant period and this is consistent with the external inspection scores received by the council. The Council has continued to develop further good practice during 2009/10.

The 2009/10 process has not identified any significant issues that the council feels necessary to highlight in this statement. The council will, however, continue to develop and improve its governance arrangements during 2010/11 in line with agreed plans and timetables.

Signed:

Leader of the Council

Signed:

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 have 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.

DEPRECIATION

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

FAIR VALUE

Fair value is the price at which an asset could be exchanged in an arm's length transaction.

FINANCE LEASE

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

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term "financial instrument" covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities, such as trade receivables and trade payables, and the most complex ones such as derivatives and embedded derivatives.

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.

IMPAIRMENT

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

INFRASTRUCTURE ASSETS

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 more than one year from the balance sheet date. 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 falls 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.