Bolton Council

Statement of Accounts

2011/2012

Contents

Foreword by the Deputy Chief Executive

1. Introduction

This document is the Council's Statement of Accounts for the year ending 31 March 2012, and comprises the following:

The Council's Core Financial Statements.

- The Movement in Reserves Statement.
- The Comprehensive Income and Expenditure Statement.
- The Balance Sheet.
- The Cash Flow Statement.

Each of the above is supported by explanatory notes.

Supplementary Financial Statements included are:

- **The HRA Account.** This shows the Council's income and expenditure relating to Council Housing.

- **The Collection Fund Revenue Account.** This records the Authority's transactions in collecting Council Tax on behalf of the General Fund and other precepting Authorities.

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

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

Significant developments in the year were:

- During 2010/11 the grant settlement from the Government along with the Comprehensive Spending Review, indicated that the Council would need to find savings in the order of £100m over the following 4 years. This translated into a savings target of £42 million for 2011/12, and a further £18 million for 2012/13. Subsequent revision to the forecast indicates further savings of £66 million over the years 2013/14 to 2016/17. Therefore during 2011/2012 departments have had to make savings of £42 million. These savings have all been achieved and details can be found in the 2011/2012 Budget Report which was presented to Council on 23 February 2011. (Meetings and Events) The impact of the savings measures meant that the contracts of 524 employees were terminated during 2011/2012. No compulsory redundancies were made. More details can be found in notes 28 and 37.

- The Council has developed a comprehensive savings and efficiency programme in order to meet the financial challenge, and has approached the task strategically, dealing with the targets for both 2011/12 and 2012/13 together. In some instances, the 2012/13 measures have been achieved ahead of time, which has led to a short term increase in reserves. The primary focus is on achieving savings through efficiencies but it is inevitable that with savings on this scale there will be impacts on services across the board. In addition, it becomes harder to achieve savings due to efficiencies, as the Council is constantly reducing its budget base.

- A Large Scale Voluntary Transfer of Council Houses to the independent Bolton at Home Ltd. took place on 28 March 2011. The majority of financial transactions relating to the LSVT took place in 2010/11, which means that most of the 2011/12 transactions are either very small or of nil value making the 2010/11 comparative figures included within the 4 Core Statements and the Notes to the Accounts show significant differences. The final Housing Subsidy grant claim was made and approved during 2011/12, which enabled the Council to apply to DCLG for approval to close its Housing Revenue Account; approval was received in February 2012. Therefore this is the last set of accounts where an HRA supplementary statement is required.

- There is no longer the need to prepare Group Accounts, as the legal relationship between the Council and Bolton at Home Ltd ceased to exist on the 28 March 2011. There were therefore no transactions in 2011/12 which would have required the preparation of Group Accounts.

- Significant progress has been made on the regeneration of Queens Park, financed by Heritage Lottery Funding. Work in 2011/12 has included the restoration of the park lodge, development and opening of the community building with café and toilet provision, removal of trees and the completion of a new play area. The new play area has significantly improved visitor numbers to the park and the café is beginning to draw additional numbers. The car park, stone walls, railings, world garden and footpaths are scheduled to finish during Summer 2013.

- A programme of 2,275 new street lights have been installed in order to reduce the Council’s carbon footprint

- Phase 3 of the Heaton Cemetery extension has been completed. This involved projects such as drainage, landscape planting and civil works. The additional Burial ground is on course to be available for use by September 2012.

- Funding of £4.5m has been approved for a package of works to refurbish Bolton Market, expected to start on site early 2013 subject to the outcome of a consultation exercise.

- Bolton One was completed and opened in Spring 2012 at a cost of £31m. This is a unique partnership between Bolton Council, NHS Bolton and the University of Bolton and has provided the town with new health, leisure and academic facilities for residents and students, all under one roof.

- Private sector investment was attracted to the town to provide a landmark 80 bedroom Travel Lodge hotel was completed in December 2011 at a cost of £3m.

- Planning approval for the £48m Transport Interchange was granted in March 2012, works are expected to start on site in 2013 subject to the outcome of a CPO inquiry in July 2012.

- The Council has opened 2 new Academy schools at Essa and St Catherine's / Firwood Special School, at a capital cost of £55m. Essa opened in October 2011 and St Catherine's and Firwood opened in March 2012. Work is on-going in relation to the Kearsley Academy which is scheduled to open in early 2013.

- Work was substantially completed during 2011/12 to create a new storage facility to house the Bolton museum collections, which will become accessible to the public during 2012/13. Monies from the sale of art works have been reinvested into the building, which has been designed to an environmentally high standard and contains both a store area for the collections and also a research area for public use

- The Area Based Grant Programme (£30.7m in 2010/11) ended on 31 March 2012. Although some of the constituent grants were redirected to specific service departments and functions for 2011/12, the majority were terminated. The Council received Local Support Services Grant (LSSG) amounting to £0.984m for 2011/12 which is intended to operate along similar lines to ABG.

3. Format of the Accounts

The CIPFA Code of Practice on Local Authority Accounting in the UK 2011/12, which is based upon International Financial Reporting Standards (IFRS) requires that a complete set of financial statements comprises:-

a) Movement in Reserves Statement for the period - MIRS
b) Comprehensive Income and Expenditure Statement for the period – CI&E
c) Balance Sheet as at the end of the period
d) Cash Flow Statement for the period
e) Notes, comprising a summary of significant accounting policies and other explanatory information, and
f) Balance Sheet as at the beginning of the earliest comparative period (i.e. a third Balance Sheet) is required when there are retrospective changes in classification.

Under IFRS, Authorities are required to present with equal prominence all of the financial statements in a complete set of financial statements. The order of the first four statements above is recommended but not required. Authorities are required present the statements in the order that best enables users to understand the statements.

Changes in recommended practice include:-

- Heritage assets must be recognised on the Balance sheet in accordance with FRS 30 and IPSAS 31. Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

- There are changes required to the Related Party disclosures, and there is a change in the definition of 'Related Party'.

- There are new disclosure requirements for exit packages.

- The Carbon Reduction Commitment scheme, whereby the Council must purchase and surrender CRC allowances retrospectively for the 2011/12 year by 1 July 2012, must be accounted for in 2011/12 in accordance with LAAP 91.

4. Movement from Original Budget to Outturn

The Financial Statement is prepared according to formal statutory accounting rules and as such is unfamiliar to Members who are used to seeing information in the management accounting format used throughout the year. The Outturn is explained in more familiar terms below. The Statement of Accounts presents the same information but in the required format.
General Fund Changes to Revenue Budgets for the year before Depreciation and Recharges are as follows in the management accounting format. The Council uses this in the year for budget monitoring purposes. The outturn figures include transfers into and out of earmarked reserves.

Service	Controllable Budget £000s	Outturn £000s	Inter-Service transfers* £000s	Other Variance £000s	Comment
Children's Services	54,277	54,486	209		
Adult Services	74,834	66,548	-8,286		
Environmental Services	24,254	26,055	1,801		
Housing	3,005	2,968	- 37		
Development & Regeneration	3,994	8,267	4,273		
Central Departments	28,667	30,690	2,066	-43	Small corporate budget savings
PTA, Waste Disposal and Land Drainage Precepts	36,257	35,900	-357		
Financial Arrangements	5,964	3,209	331	-3,086	Inflation contingencies, budget reduction support
Capital Financing	18,179	18,179			
Total	**249,431**	**246,302**	**0**	**-3,129**	

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

5. 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 increased by £1.4m mainly due to a reclassification of grant monies from creditors to reserves under IFRS (like Children's Services below); together with a £320k underspend from revenue

Children's Services earmarked reserves including schools have increased by £29M, however £21.2M of this relates to technical accounting requirements under International Financial Reporting Standards. The real increase in reserves of £7.8m represents the setting aside of monies for earmarked purposes, including the creation of a £1m reserve to fund Two Year Old Nursery Placements; a £1m reserve to fund High Cost Staying Safe placements; the setting aside of capital monies from DRF, and the planned repayment of the £968k General Reserve deficit. Schools balances increased by £1.8M.

Central Services reserves have increased by £4.1m in the year, and monies have been earmarked for specific IT initiatives, property rationalisation, the two year Neighbourhood Management Programme for which funds were set aside in April 2011, and also a new reserve of £0.25m in respect of the Central Government Troubled Families initiative. The increase in Reserves is due either to planned contributions into reserves where there is a known commitment in the future, or from underspends due to the early delivery of savings from VFM exercises and budget reductions.

Environmental Services earmarked reserves have increased by £2.7m in the year. This reflects the planned repayment of the General Reserve deficit of £2.1m, and the carry forward of resources to meet commitments in future years.

Development and Regeneration earmarked reserves increased by £1.9m in the year as a result of transferring £272k Leisure Services reserves from Adult Services; the budgeted repayment of the General Reserve deficit; the Creation of the Year of Sport Reserve of £250k; and creating a number of specific reserves to cover future activities.

General Fund Housing earmarked reserves have increased by £828k in the year as a result of higher than anticipated grant income, the transfer into GRF of the Furnished Tenancy reserve from HRA, and general underspends of £191k.

6. Capital Expenditure

Outturn for the year by service was:

Service	**Outturn £000**
Children's Services	41,844
Adult Services	1,178
Environmental Services	11,677
Development & Regeneration	8,093
Central Departments	2,810
Housing General Fund	5,306
Total Expenditure	**70,908**

FINANCING	**£000**
Borrowing	12,823
Government Grants	50,956
Capital receipts (incl. Earmarked)	2,765
External Contributions	1,047
Revenue	3,317
Total Funding	**70,908**

In the year £2,128,000 General Fund capital receipts had been generated, of which £1,903,000 is useable. The annual target is £2,000,000.

7. Balances

General Fund Balances

When the 2011/12 Budget was set anticipated, General Fund Balances were anticipated to be £7.2 million. During the year the Deputy Chief Executive recommended that these were increased to at least £10 million by April 2013, as a response to the additional financial risks from the localisation of Business Rates and Council Tax Benefits. Savings made at the centre arising from transport costs, capital financing, unused inflation contingencies and budgets relating to supporting budget reduction measures not being fully needed, has meant that the General Fund Balances at 31 March 2012 were £10.334 million.

The resulting General Fund Balances position can be summarised as follows

	Original Budget £000s	**Outturn £000s**	**Change £000s**
Opening Balance	7,205	7,205	0
Change on General Fund	0	+3,129	+3,129
Available balances at 31 March 2012	7,205	10,334	+3,129

These balances are available to protect the Council against unexpected demands.

Stephen M. Arnfield
Deputy Chief Executive
30 June 2012

Movement in Reserves Statement (for years ending 31 March 2011 and 2012)

This statement shows the movement in the year on the different reserves held by the Authority, analysed between "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes. The Net Increase/Decrease before Transfers to earmarked Reserves line shows the statutory General Fund Balance and the Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. The significant surplus on provision of services shown in 2010/11 is a result of the Housing Stock Transfer.

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010 carried forward	**(7,392)**	**(60,506)**	**(6,491)**	**(185)**	**(5,091)**	**(4,154)**	**(83,819)**	**(372,859)**	**(456,678)**
(Surplus)/deficit on provision of services	524,329						524,329	0	524,329
Other Comprehensive Income and Expenditure:									
Revaluation Gains							0	(10,135)	(10,135)
Impairment losses (chargeable to revaluation reserve)							0	230	230
Movement in pensions reserve							0	(187,600)	(187,600)
Total Comprehensive Income and Expenditure	**524,329**	**0**	**0**	**0**	**0**	**0**	**524,329**	**(197,505)**	**326,824**
Adjustments between accounting basis & funding basis under regulations:									
Reversal of items debited or credited to the Comprehensive Income and expenditure Statement (Amounts included in Income and Expenditure Statement to be removed for determining movement in General Fund)									
Depreciation/amortisation (excl HRA depreciation)	(20,260)						(20,260)	12,010	(8,250)
Excess of depreciation charged to HRA services over MRA element of housing subsidy	(1,032)						(1,032)	1,032	0

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Impairment/revaluation losses (charged to I&E)	(259,695)						(259,695)	259,465	(230)
Movement in market value of investment property	(2,303)						(2,303)	2,303	0
Movement in value of held for sale	0						0	(19)	(19)
Capital grants and contributions	40,622					(6,653)	33,969	(33,969)	0
Revenue expenditure funded by capital under statute	(7,175)				1,043	1,638	(4,494)	4,494	0
Profit/loss on sale of non-current assets	(404,027)				(12,436)		(416,463)	414,229	(2,234)
Net retirement benefits per IAS 19 (FRS17)	57,400						57,400	(57,400)	0
Gain/loss on revaluation of available for sale financial instruments	(5)						(5)	5	0
Amount of council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement different to General Fund in accordance with regulations	244						244	(250)	(6)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (Amounts excluded in the Income and Expenditure Statement to be included for determining movement in the General Fund)									
Statutory Provision for the repayment of debt (MRP)	11,115						11,115	(11,115)	0
Statutory Repayment of Debt (Finance Lease Liabilities)	448						448	(448)	0
Statutory Repayment of Debt (PFI)	277						277	(277)	0
HRA capital receipts to housing central pool	0				2,234		2,234	0	2,234
Employers contributions to pensions schemes	24,300						24,300	(24,300)	0
Revenue contributions to finance capital spend	4,556						4,556	3,694	8,250

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Other adjustments include:									
Use of capital receipts reserve to finance capital expenditure					7,148		7,148	(7,148)	0
Use of capital grants reserve to finance capital expenditure						253	253	(253)	0
Repayment of debt by DCLG relating to the LSVT							0	(285,216)	(285,216)
Transferred debt repayment							0	69	69
Adjustment between CAA and Revaluation Reserve for depreciation related to revaluation balance rather than historic cost	(1)						(1)	1	0
Total adjustments	**(555,536)**	**0**	**0**	**0**	**(2,011)**	**(4,762)**	**(562,309)**	**276,907**	**(285,402)**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(31,207)**	**0**	**0**	**0**	**(2,011)**	**(4,762)**	**(37,980)**	**79,402**	**41,422**
Transfers to/from Earmarked Reserves (Note 7):									
All other movements in reserves	31,714	(30,228)	(1,297)	(177)	(72)		(60)	60	0
Compensated absences	(320)	0					(320)	320	0
Total earmarked reserve movements	**31,394**	**(30,228)**	**(1,297)**	**(177)**	**(72)**	**0**	**(380)**	**380**	**0**
Increase/Decrease movement in the year	**187**	**(30,228)**	**(1,297)**	**(177)**	**(2,083)**	**(4,762)**	**(38,360)**	**79,782**	**41,422**
Balance at 31 March 2011 carried forward	**(7,205)**	**(90,734)**	**(7,788)**	**(362)**	**(7,174)**	**(8,916)**	**(122,179)**	**(293,077)**	**(415,256)**

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2011	**(7,205)**	**(90,734)**	**(7,788)**	**(362)**	**(7,174)**	**(8,916)**	**(122,179)**	**(293,077)**	**(415,256)**
Movement in reserves during 2011/12:									
(Surplus)/deficit on provision of services	(56,758)						(56,758)		(56,758)
Other Comprehensive Income and Expenditure:									
Revaluation Gains								(4,233)	(4,233)
Revaluation losses (chargeable to revaluation reserve)								2,787	2,787
General Movement in available-for-sale								(57)	(57)
Movement in pensions reserve								104,800	104,800
Total Comprehensive Income and Expenditure	**(56,758)**	**0**	**0**	**0**	**0**	**0**	**(56,758)**	**103,297**	**46,539**
Adjustments between accounting basis & funding basis under regulations:									
Reversal of items debited or credited to the Comprehensive Income and expenditure Statement (Amounts included in Income and Expenditure Statement to be removed for determining movement in General Fund)									
Depreciation/amortisation (excl HRA depreciation)	(20,787)						(20,787)	20,787	0
Impairment/revaluation losses (charged to I&E)	(10,758)						(10,758)	10,758	0
Movement in market value of investment property	(2,423)						(2,423)	2,423	0
Capital grants and contributions	65,901					(22,110)	43,791	(43,791)	0
Revenue expenditure funded by capital under statute	(1,949)					176	(1,773)	1,773	0
Profit/loss on sale of non-current assets	(21,355)				(2,512)		(23,867)	23,867	0

	General Fund Balance £000	Earmarked GF Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Net retirement benefits per IAS 19 (FRS17)	(23,300)						(23,300)	23,300	0
Difference in statutory debits/credits and amounts recognised as income and expenditure in the Financial Statement e.g. Soft Loans	0						0		0
Amount of council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement different to General Fund in accordance with regulations	317						317	(317)	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (Amounts excluded in the Income and Expenditure Statement to be included for determining movement in the General Fund)									
Statutory Provision for the repayment of debt (MRP)	16,828						16,828	(16,828)	0
Statutory Repayment of Debt (Finance Lease Liabilities)	494						494	(494)	0
Statutory Repayment of Debt (PFI)	296						296	(296)	0
Voluntary Provision above MRP	850						850	(850)	0
Employers contributions to pensions schemes	25,500						25,500	(25,500)	0
Revenue contributions to finance capital spend	3,756						3,756	(3,756)	0

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Other adjustments include:									
Use of capital receipts reserve to finance capital expenditure					2,774		2,774	(2,774)	0
Use of capital grants reserve to finance capital expenditure						4,480	4,480	(4,480)	0
Transferred debt repayment									
Total adjustments	**33,370**	**0**	**0**	**0**	**262**	**(17,454)**	**16,178**	**(16,178)**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(23,388)**	**0**	**0**	**0**	**262**	**(17,454)**	**(40,580)**	**87,119**	**46,539**
Transfers to/from Earmarked Reserves (Note 7):									
All other movements in reserves	21,633	(29,783)	7,788	362	(75)	0	(75)	75	0
Compensated absences	(1,374)	0					(1,374)	1,374	0
Total earmarked reserve movements	**20,259**	**(29,783)**	**7,788**	**362**	**(75)**	**0**	**(1,449)**	**1,449**	**0**
Increase/Decrease movement in the year	**(3,129)**	**(29,783)**	**7,788**	**362**	**187**	**(17,454)**	**(42,029)**	**88,568**	**46,539**
Balance at 31 March 2012 carried forward	**(10,334)**	**(120,517)**	**0**	**0**	**(6,987)**	**(26,370)**	**(164,208)**	**(204,509)**	**(368,717)**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

31 March 2011					31 March 2012		
£000s	£000s	£000s		Note	£000s	£000s	£000s
Expenditure	**Income**	**Net**			**Expenditure**	**Income**	**Net**
9,845	5,756	4,089	Central services to the public		9,550	5,902	3,648
22,729	6,799	15,930	Cultural services		30,071	10,866	19,205
44,073	2,705	41,368	Environmental and regulatory services		33,046	3,987	29,059
10,724	5,389	5,335	Planning services		7,118	(102)	7,220
266,617	239,182	27,435	Education and children's services		251,565	230,123	21,442
37,191	8,546	28,645	Children's Social Care		33,999	2,788	31,211
49,321	8,717	40,604	Highways and transport services		42,059	10,789	31,270
285,816	55,635	230,181	Local authority housing (HRA) **		2,161	3,073	(912)
130,755	120,515	10,240	Other housing services		135,607	125,921	9,686
102,538	28,235	74,303	Adult social care		96,904	32,933	63,971
6,282	1,046	5,236	Corporate and democratic core		5,331	989	4,342
39,657	32,392	7,265	Non distributed costs		42,107	29,227	12,880
(97,100)	0	(97,100)	Exceptional item *		0	0	0
908,448	**514,917**	**393,531**	**Cost of Services**		**689,518**	**456,496**	**233,022**
			Other Operating Expenditure				
		399,150	Loss on disposal of property, plant and equipment **				3,132
		3,427	Disposal of Academy assets				18,223
		2,234	Housing Capital Receipts Pool				0
		374	Parish Precepts				365
			Financing and Investment Income				
		2,303	Movement on investment property				2,423
		143	Trading Account (Surplus)/Deficit				(269)
		16,269	Interest Payable				5,112

31 March 2011					31 March 2012		
£000s	£000s	£000s		Note	£000s	£000s	£000s
Expenditure	**Income**	**Net**			**Expenditure**	**Income**	**Net**
		(3,478)	Interest and Investment Income				(3,760)
		10,600	Pension interest cost and return on assets				1,500
			Taxation and Non-specific grant income				
		(40,224)	Capital grants	**31**			(67,340)
		(100,677)	Demand on Collection Fund				(101,395)
		(1,000)	Collection Fund adjustment account				(1,317)
		(46,911)	General Government Grants	**31**			(48,644)
		(111,412)	Non-Domestic Rates				(97,810)
		524,329	**(Surplus) or Deficit for the year**				**(56,758)**
		(9,905)	Surplus or deficit on revaluation of property, plant and equipment				(1,446)
		0	Surplus or deficit on available for sale				(57)
		(187,600)	Actuarial gains/losses on pension assets/liabilities	**39**			104,800
		(197,505)	**Other Comprehensive Income**				**103,297**
		326,824	**Total Comprehensive Income and Expenditure**				**46,539**

For 2010/11:

***** in the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing BMBC liabilities in the Greater Manchester Pension Fund by £97.1m and has been recognised as a past service gain in accordance with the guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact on the General Fund.

** there are unusual movements in the CIES for 2010/2011 relating to the Large Scale Voluntary Transfer of Housing Stock to Bolton at Home.

For 2011/12:

The most significant item is an increase in the forecasted liabilities of pensions of £104.8m, based on the actuarial valuation as at 31 March 2012 due to a downward revision in the calculation of the forecasted assets of the Pension Fund.

Balance Sheet

The Balance sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

1 April 2010 £000s	31 March 2011 £000s		Note	31 March 2012 £000s
		Property, Plant & Equipment		
633,664	0	- Council Dwellings	**8**	0
421,489	410,480	- Other land and buildings	**8**	418,887
25,823	23,069	- Vehicles, plant, furniture & equipment	**8**	18,709
93,610	99,845	- Infrastructure	**8**	100,090
5,829	7,446	- Community assets	**8**	7,849
3,728	27,548	- Assets under construction	**8**	32,948
1,184,143	**568,388**			**578,483**
		Heritage Assets		
53,819	53,819	- Heritage assets	**8,45**	53,196
		Investment Property		
58,557	60,747	- Investment property	**9**	60,491
		Intangible Assets		
1,796	1,454	- Software	**10**	1,305
14,867	11,605	Long Term Investments	**11**	11,398
10,770	10,571	Long Term Debtors	**11**	10,507
1,323,952	**706,584**	**Long Term Assets**		**715,380**
26,432	53,752	Short Term Investments		63,320
602	814	Inventories	**12**	886
38,546	39,881	Short Term Debtors	**14**	24,614
4,650	3,995	Prepayments		2,312
10,447	4,279	Cash and Cash Equivalents	**15**	41,380
2,031	955	Assets held for sale (less than 1 year)		838
82,708	**103,676**	**Current Assets**		**133,350**
(114,135)	(5,774)	Short Term Borrowing	**11**	(782)
(64,988)	(83,212)	Short Term Creditors	**16**	(71,315)
(8,861)	(3,341)	Provisions for current liabilities	**17**	(3,025)
(187,984)	**(92,327)**	**Current Liabilities**		**(75,122)**

1 April 2010 £000s	31 March 2011 £000s		Note	31 March 2012 £000s
(13,374)	(10,611)	Provisions for long term liabilities	**17**	(14,967)
(260,583)	(72,996)	Long Term Borrowing	**11**	(90,979)
(24,299)	(23,555)	Other Long Term Liabilities	**11**	(21,937)
(436,700)	(167,400)	Net Pensions Liability	**39**	(270,000)
(27,042)	(28,115)	Capital Grants Receipts in Advance		(7,008)
(761,998)	**(302,677)**	**Long Term Liabilities**		**(404,891)**
456,678	**415,256**	**Net Assets**		**368,717**
		Represented by:		
		Usable Reserves		
7,392	7,205	- General Fund Balance	**7**	10,334
60,691	91,096	- Earmarked General Fund Reserves	**7**	120,517
6,491	7,788	- Housing Revenue Account		0
5,091	7,174	- Capital Receipts Reserve		6,987
4,154	8,916	- Capital Grants Received in Advance		26,370
83,819	**122,179**			**164,208**
		Unusable Reserves	**19**	
120,430	128,840	- Revaluation reserve		128,176
275	294	- Available-for-Sale Financial Instruments Reserve		351
(436,700)	(167,400)	- Pensions Reserve		(270,000)
130	128	- Deferred capital receipts		126
691,783	334,349	- Capital Adjustment Account		350,047
5	0	- Financial Instruments Adjustment Account		0
750	1,000	- Collection Fund Adjustment Account		1,317
(3,814)	(4,134)	- Short-term Accumulating Compensated Absences Account		(5,508)
372,859	**293,077**			**204,509**
456,678	**415,256**	**Total Reserves**		**368,717**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Authority.

31 March 2011 £000s		**Note**	**31 March 2012 £000s**
(524,329)	Net (surplus) or deficit on the provision of services		56,758
593,477	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements		46,056
25,837	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		5,006
94,985	Net cash flows from Operating Activities	**20**	107,820
(92,052)	Investing Activities	**21**	(83,719)
(9,101)	Financing Activities	**22**	13,000
(6,168)	Net increase or decrease in cash and cash equivalents		37,101
10,447	Cash and cash equivalents at the beginning of the reporting period		4,279
4,279	**Cash and cash equivalents at the end of the reporting period**	**15**	**41,380**

Notes to the Core Financial Statements

Contents

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. It has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the CIPFA Service Reporting Code of Practice 2011/12*,* supported by International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets.

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 inventories on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Employee costs are charged to the accounts of the period within which the employees worked. Accruals have been made for wages earned but unpaid at the year-end.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature within 1 working day of the balance sheet date.
In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off

- amortisation of intangible assets attributable to the service.

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

Employee Benefits

a) Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

b) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

c) Retirement Benefits

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

- The Teachers’ Pension Scheme, administered by Capita Teachers’ Pensions on behalf of the Department for Education (DFE).
- 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 Children's and Education services line in the Comprehensive Income and Expenditure Statement 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 credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a real discount rate of 5.2% per annum, (based on an assumed 3.3% gilt yield over 20 years, plus an addition of 1.9% to reflect the extra risk involved in using AA corporate Bond yields 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, which is at bid value, as recommended under IAS19.

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 Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- 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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit

on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve
- contributions paid to the Greater Manchester pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund, or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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.

Financial Instruments

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost on the Balance Sheet. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the

gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement.

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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 (eg dividends) is credited to the Comprehensive Income and Expenditure Statement 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.

- Manchester Airport shares are held at historic cost value, this is consistent with the policy of the other nine Greater Manchester district councils.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale 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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.
Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Heritage Assets

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

Heritage Assets comprise items held by the Library and Museum Service, including Civic regalia, commemorative items and silver tableware, plus two historic buildings. These assets are intended to be held in trust for future generations because of their cultural, environmental or historical associations. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Councils collections of Heritage Assets are accounted for as follows:-

Library & Museums collections

Bolton is fortunate to have cultural collections of particular breadth and quality, especially for a local authority of its size. These objects, documents, publications, artworks and specimens of artistic, historical, scientific and cultural significance are primarily managed as museum, archive and library collections.

Detailed summaries of the collections, including Egyptology, industrial history, business archives, archaeology, botany, geology, local history, costume, textiles, decorative art, entomology, zoology and rare books, can be found on public documents via the museum website and the online library catalogue.

These items are reported in the Balance Sheet on valuations held for insurance purposes. The ten most significant items have been valued individually, and a single collections based valuation covers all other items. The total value is £51.232 million as at 31 March 2012. The insurance valuations are reviewed regularly, and when the policies are being renewed. The valuation of individual items may also be reviewed when loans are made to external organisations (e.g. loan of an art work to an exhibition). The collections are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

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

Further details of these assets and the Council's policies for the acquisition, preservation, management and disposal of Heritage assets can be seen under the Bolton Library & Museums Services section of the Council's website.

Historic Buildings

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

These are held on the balance sheet at £1.964million, one valued at market value, one at depreciated replacement cost, these valuations will be reviewed during 2012/13 to ensure consistent treatment. Again, these assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation. There is no intention to either acquire further or dispose of existing historic buildings.

Heritage Assets – General

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

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

All such significant collection transactions (i.e. major purchases and all proposed disposals) and their associated policies are subject to formal approval by Elected Members.

Intangible 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.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Inventories

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

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued on a 5-yearly cycle. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

a) The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

b) The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

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

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 Service Reporting Code of Practice 2011/12 (SeRCOP). 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 impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis are classified as Property, Plant and Equipment.

Recognition: expenditure on the acquisition, creation or enhancement of property, plant and equipment 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 maintains but does not add to an assets' potential to deliver future economic benefits or service potential (i.e. 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
- assets under construction – historical cost
- dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- infrastructure assets, 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 re-valued 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 Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service revenue account.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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 there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

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 deprecation is calculated on the following bases:

- Buildings – 40 years
- vehicles, plant and equipment – 5 years
- infrastructure – 25 years.

When an item of Property, Plant and Equipment valued at greater than £1,000,000 is either acquired or re-valued and the asset has major components whose cost is greater than £200,000, the components are depreciated separately over the relevant life of the component.

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.

Disposals and Non-current Assets Held for Sale: When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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 General Fund Balance in the Movement in Reserves Statement.

Private Finance Initiative (PFI)

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

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

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge of 5.1% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

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

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

The Council has made a provision from revenue budgets 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.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.
Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

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 Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non–current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained in the relevant policies below.

Revenue Expenditure Funded from Capital under Statute

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

VAT

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

Accounting for the costs of the carbon reduction commitment scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

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

- From the year commencing 1 April 2009 the Council Tax income included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement.

- 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.

2. Restatement of 2010/11 Accounts

The Statement of Accounts for 2011/12 is the first to be prepared when Heritage Assets must be recognised on the balance sheet in accordance with FRS30 and IPSAS31, and the Authority has restated it 4 Core Statements from 1 April 2010 accordingly. The effect of the restatement can be seen in detail in note 45.

3. Accounting Standards Issued, Not Adopted

IFRS 7 *Financial Instruments: Disclosures (transfers of financial assets)*

Paragraph 3.3.2.13 of the 2011/12 Code and 2011/12 Code Update requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. In addition, paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The amendments to IFRS 7-*Financial Instruments: Disclosures* (transfers of financial assets, issued October 2010), are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the authority's financial position. However, CIPFA/LASAAC is of the view that the transfers described by the standard do not occur frequently in local authorities. Relevant circumstances would arise where an authority retains ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership.

The only impact on the Authority is in relation to the maturity profile of borrowing, which should be determined by reference to the earliest date on which the lender can require payment rather than the maximum length of the loan. This will change the Maturity Profile table contained within Note 42.

4. Material Items of Income and Expense

The material items of income and expense in 2011-12 were:

a) A loan of £18million was taken during the course of the year and this is covered in the Financial Instruments note (Note 11).

b) The Housing Revenue Account balances were transferred to the General Fund on the 31 March 2012 after receipt of the Secretary of State's approval to close the Housing Revenue Account. This is covered in both the reserves note (Note 7) and the Housing Revenue Account Note.

c) A lump sum payment of £4.99m was paid to the Greater Manchester Pension Fund to discharge future liabilities associated with former employees. This is included in the non-distributed costs line of the Consolidated Income and Expenditure Statement.

5. Critical Judgements in Applying Accounting Policies

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

There is a high degree of uncertainty about future levels of funding for local government. However the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

There is a degree of uncertainty about the future levels of income from third parties for which the Authority provides services.

The Authority has evaluated its PFI scheme at Castle Hill, under the requirements of the Code, and concluded that this should be recognised in the balance sheet as an asset. See note 35 for details.

In accounting for liabilities relating to unequal pay, the Authority has had to judge which of the possible future liabilities it faces are sufficiently certain to be accounted for as a provision and which should be treated as a contingent liability. The Authority has taken the view that where it has received claims from individuals covering circumstances which it has accepted may give rise to a valid claim, a provision for the estimated settlement value should be raised. If the Authority were aware that there is a potential for future claims but none had yet been received, it would judge these possible liabilities to be sufficiently uncertain and unquantifiable to be classified as contingent liabilities. However, the Authority believes it has no further liability.

6. Events After the Balance Sheet Date

There are no events after the balance sheet date in 2011/12.

7. Transfers to/from Earmarked Reserves

	1 April 2010 £000s	Receipts £000s	Payments £000s	1 April 2011 £000s	Receipts £000s	Payments £000s	31 March 2012 £000s	Note
Earmarked Statutory Reserves								
Schools - Delegated Budgets	6,080	0	(827)	5,253	1,827	(12)	7,068	1
Trading Accounts	6	136		142	60	0	202	2
Major Repairs Reserve	0	8,250	(8,250)	0	0	0	0	3
HRA Reserves	185	177	0	362	0	(362)	0	4
Total Earmarked Statutory Reserves	**6,271**	**8,563**	**(9,077)**	**5,757**	**1,887**	**(374)**	**7,270**	
Earmarked Policy Reserves								
Insurance	7,031	5,227	(697)	11,561	0	(4,076)	7,485	5
Other Central Reserves	40,302	37,246	(16,447)	61,101	29,576	(14,922)	75,755	6
Children’s Services	5,856	14,003	(10,565)	9,294	11,275	(536)	20,033	7
Environmental Services	(1,523)	4,933	(3,997)	(587)	3,389	(670)	2,132	8
Development and Regeneration	(1,037)	2,806	(1,331)	438	2,053	(166)	2,325	9
Housing G.R.F.	2,000	783	(550)	2,233	1,128	(327)	3,034	10
Adult Services	1,536	14,576	(15,067)	1,045	2,107	(669)	2,483	11
Markets	(384)	0	384	0	0	0	0	12
Business Improvement District	(7)	0	(7)	(14)	14	0	0	13
Special Funding	646	108	(486)	268	0	(268)	0	14
Total Earmarked Policy Reserves	**54,420**	**79,682**	**(48,763)**	**85,339**	**49,542**	**(21,634)**	**113,247**	
Total Earmarked General Fund Reserves	**60,691**	**88,245**	**(57,840)**	**91,096**	**51,429**	**(22,008)**	**120,517**	

	1 April 2010 £000s	Receipts £000s	Payments £000s	1 April 2011 £000s	Receipts £000s	Payments £000s	31 March 2012 £000s	Note
General Fund Balance	7,392	0	(187)	7,205	3,129	0	10,334	
Total Reserves & Balances	**68,083**	**88,245**	**(58,027)**	**98,301**	**54,558**	**(22,008)**	**130,851**	

The Council sets aside specific amounts as earmarked reserves for future policy purposes or to cover known events or contingencies. They are also used as part of the Council's devolved budget management process to carry forward budget under or overspends to future years. An explanation of the major reserves is outlined below.

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

2. **Trading accounts** These represents the in-year surpluses or deficits carried forward from the authority's trading accounts. In this instance, it relates only to a surplus made by the Legal services trading account.

3. **Major Repairs Reserve** This was a statutory reserve for the Housing Revenue account, whereby defined capital expenditure on assets could be charged directly to this reserve, along with sums voluntarily set aside to repay debt. It no longer exists, due to the LSVT, and has been included this year purely for comparative purposes.

4. **HRA reserves** This related to gas & electricity payments and receipts made in advance, Furniture packages for Furnished Tenancies, and an accumulation of capital receipts not yet used for financing capital. The balance has now been cleared, due to the LSVT.

5. **Insurance** In addition to having an insurance provision, which is linked to past events, but where the timing of the obligation is uncertain, the authority holds monies in this reserves to cover potential future insurance claims.

6. **Other Central Reserves**

   £53.97m reserves held centrally is analysed as follows:
   - £18.04m has been provided for one off Corporate Pay costs, (which includes £6m for severance and redundancy costs over the following years, £4m for possible Equal Pay costs, £2m has been set aside for the Apprentice programme and the balance of £6m has been set aside for pay and grading and other employment issues),
   - £11.5m has been set aside for Capital Programme financing requirements and commitments,
   - £9.06m is the balance on the HRA account.
   - £3.75m has been set aside to smooth the future costs of Waste Disposal,
   - £3.46m has been set aside to cover a number of specific projects and liabilities,
   - £2m has been set aside from LPSA Reward grant receipts to be used to support the budget over the next two years,
   - £1.16m has been set aside for costs associated with the Climate Change levy and inflationary pressures on energy bills,
   - £0.9m has been set aside for new housing initiatives,
   - £1.9m has been set aside to cover accrued staff leave,
   - £2.2m has been set aside for rebuilding schools in the event of a major fire.

£21m of reserves held by central departments is analysed as follows:

- £8.2m is money held to cover future IT Voice and Data investments and developments,
- £1.6m is a contingency for Housing and Council Tax benefits overspends,
- £5.8m property related reserves, covering Sinking Funds for both Castle Hill and Bolton Arena, plus amounts set aside for property rationalisation and energy initiatives,
- £2.4 million relates to Community and Regeneration initiatives, including Neighbourhood Management and Troubled Families projects,
- £1.9m relates to a number of smaller known commitments,
- £1.7 m which is the accumulated underspend on the Chief Executive's department budgets and is available to underwrite efficiency reviews.

7. **Children's Services reserves** £7.7 million of this relates to funding for slippage on capital schemes, £2 million is held for future IT and musical instruments replacements, £1.4 million relates to in year surpluses or deficits carried forward in relation to Children Services LA activities. £745k relates to future commitments for Teachers' Pension Payments. £522k relates to monies carried forward for Extended Schools, which provide wider community access to schools to provide additional support to parents outside of school hours, including out of school and breakfast clubs. Other Schools related reserves amounting to £309k include a reserve for the school sickness insurance scheme and unused funds for the Schools Partnership and Schools network. Building Schools for the Future and Academies reserves of £374k are held to cover the residual costs of these two initiatives. £1.3 million is for out of borough placements, Safeguarding Board and other Social Care. £1.4 million is for 2 year old education and other early years. £3.2 million is for school and other education initiatives and £972k is for positive activities and the Year of Sport 2012.

8. **Environmental Services reserves** include the Highways Works reserve of £549k, intended to limit potential liabilities in Highways, £297k in the Graves In Perpetuity reserve which is funded from previous contributions to contribute towards maintenance and upkeep of cemeteries, a CCTV reserve of £219k to fund future replacement of equipment, a Waste campaign reserve of £100k to promote uptake of recycling measures, and a Food in Garden reserve of £155k to fund the start-up costs of the food in garden waste initiative. There is £300k for the extension of the current School Meals promotion. There remains £511k in other reserves containing accumulated surpluses on the departmental annual revenue budget, which are earmarked for identified smaller projects.

9. **Development and Regeneration reserves** comprise a reserve of £182k for the funding of Bolton Central Partnership to support promotion of town centre businesses, a reserve of £166k to fund work around the Local Development Strategy, the Building Control trading surplus of £151k to smooth year to year activity levels, the Marketing Reserve of £100k to promote new initiatives with Bolton MBC area, a Year of Sport reserve of £250k , a £261k reserve to cover the funding of the exit strategy for the Work Programme contract, , a reserve of £155k is earmarked to fund development work in the Town Centre, other reserves of £310k cover promotional and festive activities, and the General reserve of £216k containing accumulated surpluses on the revenue budget and the remainder are small ring fenced reserves for identified smaller projects.

10. **Housing GRF reserves** are largely grants received in advance for Housing and Asylum Seekers' projects not yet completed, and the accumulation of surpluses / deficits on the revenue account for Housing (£238k).

11. **Adult Services reserves** comprise an accumulated deficit of £0.3m on Adult Social Care, offset by £1.6m of grants earmarked to fund the continued roll-out of Personal Budgets and Self Directed Support to people eligible for Social Care and also to support schemes funded by former Supporting People grant, and £1.2m reserves to fund a range of future commitments and projects.

12. **Markets reserves** contain any in year surplus or deficit carried forward on the Markets trading activity, but at year end there was no net balance carried forward.

13. **Business Improvement District reserve** this represented the accumulated surplus of monies raised by levy on the non – domestic ratepayers in the Business Improvement District, after deducting payments made to the Industrial Estate Partnership for improvements in the BID area. The scheme operated up to the 31 March 2011. Following a ballot, which resulted in a 'no' vote, the BID ceased to operate from 1 April 2012.

14. **Special Funding reserves** these comprised unspent ABG, Public Service Agreement (PSA), Lottery and SRB grant funds received in advance. These were spent in 2011/2012.

8. Property, Plant and Equipment – Comparative movements in 2010/11

	Council dwellings	Other land & buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community assets	Assets under construction	Total property, plant & equipment	PFI assets included in property, plant & equipment
Cost or valuation								
At 1 April 2010	647,622	444,720	45,309	108,469	5,844	3,728	1,255,692	10,700
Additions	19,438	16,802	5,568	11,047	1,616	24,190	78,661	68
Revaluation increases/(decreases) recognised in the Revaluation Reserve		9,905					9,905	
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(239,336)	(20,887)	(11)	(531)	0	0	(260,765)	
Derecognition – disposals	(403,249)	(5,788)	(1,867)	0	0	0	(410,904)	
Derecognition - other	(8,736)	(632)	(3,295)	0	0	0	(12,663)	
Assets reclassified (to)/from Held for Sale	0	(490)	0	0	0	0	(490)	
Other movements in cost or valuation	(14,052)	(11,187)	10	(503)	0	(370)	(26,102)	(4,700)
At 31 March 2011	**1,687**	**432,443**	**45,714**	**118,482**	**7,460**	**27,548**	**633,334**	**6,068**

	Council dwellings	Other land & buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community assets	Assets under construction	Total property, plant & equipment	PFI assets included in property, plant & equipment
Accumulated Depreciation and Impairment								
at 1 April 2010	(13,958)	(23,231)	(19,486)	(14,859)	(15)	0	(71,549)	(2,568)
Depreciation charge	(8,736)	(8,357)	(7,520)	(4,281)	0	0	(28,894)	(333)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(241,023)	(21,378)	(29)	(531)	0	0	(262,961)	(2,132)
Derecognition – disposals		196	1,083				1,279	
Derecognition - other	8,736	784	3,277				12,797	
Other movements in depreciation and impairment	253,294	30,023	30	1,034			284,381	4,700
At 31 March 2011	**(1,687)**	**(21,963)**	**(22,645)**	**(18,637)**	**(15)**	**0**	**(64,947)**	**(333)**

Property, Plant and Equipment – Movement in the year 2011/12

	Council dwellings £000s	Other land & buildings £000s	Vehicles, plant, furniture & equipment £000s	Infrastructure assets £000s	Community assets £000s	Assets under construction £000s	Total property, plant & equipment £000s	PFI assets included in property, plant & equipment £000s
Cost or valuation								
At 1 April 2011	1,687	432,443	45,714	118,482	7,460	27,548	633,334	6,068
Additions		28,424	4,200	9,294	404	21,868	64,190	
Revaluation increases/(decreases) recognised in the Revaluation Reserve		1,446					1,446	
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,687)	(9,706)	(54)	(1,650)			(13,097)	
Derecognition - disposals		(18,922)	(1,774)	(2,924)			(23,620)	
Derecognition - other		(726)	(5,809)		(15)		(6,550)	
Assets reclassified (to)/from Held for Sale								
Other movements in cost or valuation		14,167	(11)			(16,468)	(2,312)	
At 31 March 2012	**0**	**447,126**	**42,266**	**123,202**	**7,849**	**32,948**	**653,391**	**6,068**

	Council dwellings £000s	Other land & buildings £000s	Vehicles, plant, furniture & equipment £000s	Infrastructure assets £000s	Community assets £000s	Assets under construction £000s	Total property, plant & equipment £000s	PFI assets included in property, plant & equipment £000s
Accumulated Depreciation and Impairment								
at 1 April 2011	(1,687)	(21,963)	(22,645)	(18,637)	(15)	0	(64,947)	(333)
Depreciation charge		(8,651)	(7,124)	(4,512)			(20,287)	(342)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services		(11,695)	(54)	(1,649)			(13,398)	
Derecognition - disposals		51	403	37			491	
Derecognition - other		726	5,809		15		6,550	
Other movements in depreciation and impairment	1,687	13,293	54	1,649			16,683	
At 31 March 2012	**0**	**(28,239)**	**(23,557)**	**(23,112)**	**0**	**0**	**(74,908)**	**(675)**
Net Book Value								
At 31 March 2012	0	418,887	18,709	100,090	7,849	32,948	578,483	5,393
At 31 March 2011	0	410,480	23,069	99,845	7,445	27,548	568,387	5,735

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation, unless more definite guidance is available:

- Other buildings – 40 years
- Bridges, highways and other infrastructure – 25 years
- Vehicles, Plant, Furniture and Equipment – 5 years
- Intangible assets – 5 years or life of licence

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

	Other land and buildings £000s	**Vehicles, plant and equipment £000s**	**Infrastructure assets £000s**	**Community assets £000s**	**Heritage assets £000s**	**Assets under construction £000s**	**Total Property, Plant & Equipment £000s**
Valued at historical cost	8,516	18,709	100,090	7,849	51,648	32,948	219,760
Valued at current value in:							
2011/12	40,575						40,575
2010/11	75,904						75,904
2009/10	250,602				1,548		252,150
2008/09	39,726						39,726
2007/08	3,564						3,564
Total Fixed Assets	**418,887**	**18,709**	**100,090**	**7,849**	**53,196**	**32,948**	**631,679**

Capital Commitments

At 31 March 2012, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and beyond. The major commitments are:

Approved and Contracted Schemes	**£000s**
Development and Regeneration	
D & R Capital	94
Environmental Services	
Highways Capital Programme	417
Non Highways Capital	485
Children's Services	
Building Maintenance Programme	2,027
Primary Expansion Programme	147
St Catherine's Academy	5,873
Kearsley Academy	8,520
ESSA Academy	102
Funding Short Breaks	287
Short Breaks	287
Social Care Software	289
Access Initiative	315
Other Minor Schemes	256
Property Services	
Farnworth Area Office	1,390
Total	**20,489**

Schemes Approved But Not Contracted	£000s
Adult Services	
Capital Slippage	2,660
Central Corporate	
Bolton Arena	100
Manchester Road Demolition	144
Town Centres	1,000
Children's Services	
Building Maintenance Programme	2,090
Primary Expansion Programme	19,500
Smithills Occupation Project	291
Housing GRF	
Disabled Facilities Grants	1,350
Private Sector Renewal including Tonge	2,125
Property Services	
Accommodation Review	2,548
Asset Management Plan – urgent works	2,388
Carbon Management Programme	144
Glazing, Health & Safety	475
Le Mans Fire Alarm System	550
Access Improvements	60
Development and Regeneration	
D&R Capital Slippage	3,047
Environmental Services	
Highways Capital Slippage	5,005
Non Highways Capital Slippage	4,170
Total	**47,647**

Revaluations

The Authority carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

Bases of Valuation

- **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 Property, Plant & Equipment.

- **Property, 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.

9. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2011/12 £000s	**2010/11 £000s**
Rental income from investment property	2,558	2,085
Direct operating expenses arising from investment property	(1,577)	(1,507)
Net gain/(loss)	**981**	**578**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	2011/12 £000s	**2010/11 £000s**
Balance at start of the year	60,747	58,557
Additions:		
- purchases	775	2,468
- subsequent expenditure	0	0
Disposals	(81)	(658)
Net gains/losses from fair value adjustments	(2,423)	(2,303)
Other changes	1,473	2,683
Balance at end of the year	**60,491**	**60,747**

10. Intangible Assets

The Authority regards the cost of purchased software as an intangible asset, which is amortised over its expected useful life. As at 31 March 2012 the net value of such assets amounted to £1.305m (£1.454m at 31 March 2011).

Accumulated amortisation as at 31 March 2012 is £1.5m (£1.8m at 31 March 2011)

11. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the balance sheet:

	Long-term		Current	
	31 March 2012 £000s	**31 March 2011 £000s**	**31 March 2012 £000s**	**31 March 2011 £000s**
Investments				
Loans and receivables				
Banks and other financial institutions (net of impairment)	782	1,046	63,320	53,752
Available-for-sale financial assets (JP Morgan Trust)	374	317	0	0
Unquoted equity investment at cost (Manchester Airport Group)	10,214	10,214	0	0
Unquoted equity investment at cost (Local Education Partnership)	28	28	0	0
Total Investments	**11,398**	**11,605**	**63,320**	**53,752**
Debtors				
Loans and receivables				
Advances to Manchester Airport PLC	8,972	8,972	0	0
Mortgages	6	10	3	5
Tennis Arena Trust	293	342	0	0
Former Magistrates Authorities (10 Greater Manchester Districts)	1,110	1,119	0	0
Long term leasing	126	128	0	0
Financial assets carried at contract amounts	0	0	24,611	39,876
Total Debtors	**10,507**	**10,571**	**24,614**	**39,881**

	Long-term		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£000s	£000s	£000s	£000s
Borrowings				
Financial liabilities at amortised cost – Market Loans	90,251	72,251	0	0
Short-term borrowings	0	0	782	5,774
LOBO Interest Rate Equalisation	711	728	17	17
Total Borrowings	**90,962**	**72,979**	**799**	**5,791**
Other Long Term Liabilities				
Private Finance Initiative (PFI)	8,679	8,975	0	0
Finance Leases	1,865	2,360	0	0
Ex-GMC residual debt	10,431	11,339	900	850
Deferred liabilities	62	31	0	0
Total Other Long Term Liabilities	**21,037**	**22,705**	**900**	**850**
Creditors				
Financial liabilities carried at contract amounts	0	0	71,315	83,212
Total Creditors	**0**	**0**	**71,315**	**83,212**

The Council holds shareholdings in the following 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 2011 indicated the company had net assets of £817.0m (£769.1m the previous year) and made a profit of £84.7m after taxation (£36.9m 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.

- 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.

Financial Instruments - Income, Expenses, Gains and Losses

	2011/12					2010/11				
	Financial Liabilities measured at amortised cost	**Financial Assets: Loans and receivables**	**Financial Assets: Available for sale**	**Assets and liabilities at Fair Value through Profit and Loss**	**Total**	**Financial Liabilities measured at amortised cost**	**Financial Assets: Loans and receivables**	**Financial Assets: Available for sale**	**Assets and liabilities at Fair Value through Profit and Loss**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Interest expense	3,835	0	0	0	3,835	15,108	0	0	0	15,108
Losses on derecognition	0	0	0	0	0	0	2,158	0	0	2,158
Total expense in Surplus or Deficit on the Provision of Services	**3,835**	**0**	**0**	**0**	**3,835**	**15,108**	**2,158**	**0**	**0**	**17,266**

	2011/12					2010/11				
	Financial Liabilities measured at amortised cost	**Financial Assets: Loans and receivables**	**Financial Assets: Available for sale**	**Assets and liabilities at Fair Value through Profit and Loss**	**Total**	**Financial Liabilities measured at amortised cost**	**Financial Assets: Loans and receivables**	**Financial Assets: Available for sale**	**Assets and liabilities at Fair Value through Profit and Loss**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Interest income	0	1,002	13	1,000	2,015	0	577	2	1,000	1,579
Interest income accrued on impaired financial assets	0	159	0	0	159	0	220	0	0	220
Gains on derecognition	0	0	0	0	0	0	1,139	0	0	1,139
Total income in Surplus or Deficit on the Provision of Services	**0**	**1,161**	**13**	**1,000**	**2,174**	**0**	**1,936**	**2**	**1,000**	**2,938**

	2011/12					2010/11				
	Financial Liabilities measured at amortised cost	**Financial Assets: Loans and receivables**	**Financial Assets: Available for sale**	**Assets and liabilities at Fair Value through Profit and Loss**	**Total**	**Financial Liabilities measured at amortised cost**	**Financial Assets: Loans and receivables**	**Financial Assets: Available for sale**	**Assets and liabilities at Fair Value through Profit and Loss**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Gains on revaluation	0	0	57	0	57	0	0	19	0	19
Surplus/Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**57**	**0**	**57**	**0**	**0**	**19**	**0**	**19**
Net gain/(loss) for the year	**(3,835)**	**1,161**	**70**	**1,000**	**1,604**	**(15,108)**	**(222)**	**21**	**1,000**	**(14,309)**

Fair value of Assets and Liabilities

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

- For loans the PWLB premature repayment rates from the PWLB at 31 March 2012 have been applied to provide the fair value for all loans using PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment is recognised, impairment has been provided separately within the Bad Debt Provision;
- Where an instrument will mature in the next 12 months the 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 2012		31 March 2011	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Financial Liabilities:				
Market Loans	90,979	93,213	72,996	78,834
Trade Creditors	71,315	71,315	83,212	83,212
Bank Overdrawn and Short Term Borrowing	7,092	7,092	10,095	10,095
Total Financial Liabilities	**169,386**	**171,620**	**166,303**	**172,141**

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.

	31 March 2012		31 March 2011	
	Carrying amount £000s	**Fair value £000s**	**Carrying amount £000s**	**Fair value £000s**
Loans and receivables:				
Loan to Manchester Airport	8,972	8,972	8,972	8,972
Money Market Loans Less than One Year	63,077	63,077	52,305	52,305
Money Market Loans More than One Year	1,028	1,028	1,046	1,046
Trade Debtors	24,614	24,614	39,881	39,881
Total Loans and Receivables	**97,691**	**97,691**	**102,204**	**102,204**

The fair value of money market loans is equal to the carrying amount because there were no money market loans with more than a year to run at the Balance Sheet date other than those which had been subject to impairment adjustment.

Available-for-sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

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

12. Inventories

	Consumable Stock	
	2011/12 £000s	**2010/11 £000s**
Balance outstanding at start of year	814	602
Purchases	354	3,292
Recognised as an expense in the year	(263)	(3,062)
Written off balances	0	(18)
Reversals of write-offs in previous years	(19)	0
Balance outstanding at year end	**886**	**814**

13. Construction Contracts

At 31 March 2012 the Authority had a construction contract for Bolton One on behalf of the University of Bolton. Bolton One Development is a Health, Leisure and Research Centre including a swimming pool, hydrotherapy pool and other health and fitness facilities co-locating services of Bolton Council, the University of Bolton and Bolton Primary Care Trust. Construction of the University of Bolton section of the building was being undertaken by the Council on their behalf and the building was completed and opened in February 2012. The value of work completed at 31 March 2012 was £7.230m (at 31 March 2011 was £3.619m), this was obtained from valuation certificates issued by the contractor and verified by an appointed independent tester. £7.122m of the cost was recovered from the University in 2011/12 with the remaining £108k representing retention to be recovered on release to the contractor at a future date.

14. Debtors

	31 March 2012 £000s	31 March 2011 £000s
Central government bodies	14,004	19,656
Other local authorities	470	611
NHS bodies	7	10
Public corporations	11,315	16,139
Other entities	7,320	11,898
Sub total	**33,116**	**48,314**
Less: Provision for Bad Debts	(8,502)	(8,433)
Total	**24,614**	**39,881**

15. Cash and Cash Equivalents

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

31 March 2011 £000s		31 March 2012 £000s
	Cash held by the Authority	
8,490	Bank current accounts	8,665
110	Bank Call accounts and Money Market Funds	39,025
8,600	**Total Cash held by the Authority**	47,690
(4,321)	Bank Overdraft	(6,310)
4,279	**Total Cash and Cash Equivalents**	**41,380**

16. Creditors

	31 March 2012 £000s	31 March 2011 £000s
Central government bodies	9,460	17,345
Other local authorities	855	3,604
NHS bodies	5,639	1,263
Public corporations and trading funds	32,243	43,937
Other entities and individuals	15,932	11,139
Teacher's Pensions Scheme	1,678	1,790
Short term accumulated absences account	5,508	4,134
Total	**71,315**	**83,212**

17. Provisions

	Self-insurance – liability & fire (1) £000s	Equal Pay (2) £000s	Deferred Leavers (3) £000s	Carbon Reduction Commitment (4) £000s	Other (5) £000s	Total £000s
Balance at 1 April 2011	**12,379**	**645**	**928**	**0**	**0**	**13,952**
Additional provisions made in 2011/12	7,147	166	0	344	21	**7,678**
Amounts used in 2011/12	(2,065)	(645)	(449)	0	0	**(3,159)**
Unused amounts reversed in 2011/12	0	0	(479)	0	0	**(479)**
Balance at 31 March 2012	**17,461**	**166**	**0**	**344**	**21**	**17,992**

Split between short and long term elements of closing balances of these provisions:

	Short Term £000s	Long Term £000s
Self-Insurance – liability & fire	2,494	14,967
Equal Pay	166	0
Carbon Reduction Commitment	344	0
Other	21	0
Total	**3,025**	**14,967**

Notes

(1) In accordance with IAS 37 the Insurance Liabilities at 31 March 2012 are estimated to be £17,461,000. An Insurance Reserve has been set up to hold any surplus or deficit on the Insurance Provision.

(2) 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.

(3) Employees who have taken Voluntary Severance or Retirement and who have received signed acceptance letters, but who have a deferred leaving date after 31 March 2012.

(4) The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. The provision created relates to 2011/12 liabilities.

(5) All other provisions are individually insignificant.

18. Usable Reserves

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, details of which can be found in note 7.

19. Unusable Reserves

2010/11 £000s		**2011/12 £000s**
	Unusable Reserves	
128,840	- Revaluation reserve	128,176
294	- Available-for-Sale Financial Instruments Reserve	351
(167,400)	- Pensions Reserve	(270,000)
128	- Deferred capital receipts	126
334,349	- Capital Adjustment Account	350,047
1,000	- Collection Fund Adjustment Account	1,317
(4,134)	- Short-term Accumulating Compensated Absences Account	(5,508)
293,077		**204,509**

Movement in Unusable Reserves: Table for year ending 31 March 2011

	Revaluation Reserve	Available for Sale Reserve	Pensions Reserve	Capital Adjustment Account	Deferred Capital Receipts	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Accumulated Absences Account	Total Unusable Reserves
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2010 carried forward	**(120,430)**	**(275)**	**436,700**	**(691,783)**	**(130)**	**(5)**	**(750)**	**3,814**	**(372,859)**
Surplus/(deficit) on provision of services									
Other Comprehensive Income and Expenditure:									
Revaluation Gains	(10,135)								(10,135)
Impairment losses (chargeable to revaluation reserve)	230			(230)					0
Movement in pensions reserve			(187,600)						(187,600)
Total Comprehensive Income and Expenditure	**(9,905)**	**0**	**(187,600)**	**(230)**	**0**	**0**	**0**	**0**	**(197,735)**
Adjustments between accounting basis & funding basis under regulations:									
Reversal of items debited or credited to the Comprehensive Income and expenditure Statement									
(Amounts included in Income and Expenditure Statement to be removed for determining movement in General Fund)									
Depreciation/amortisation (excl HRA depreciation)				12,010					12,010
Excess of depreciation charged to HRA services over MRA element of housing subsidy				1,032					1,032
Impairment/revaluation losses (charged to I&E)				259,695					259,695

	Revaluation Reserve	Available for Sale Reserve	Pensions Reserve	Capital Adjustment Account	Deferred Capital Receipts	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Accumulated Absences Account	Total Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Movement in market value of investment property				2,303					2,303
Movement in value of held for sale assets		(19)							(19)
Capital grants and contributions				(33,969)					(33,969)
Revenue expenditure funded by capital under statute				4,494					4,494
Profit/loss on sale of non-current assets				414,229					414,229
Net retirement benefits per IAS 19 (FRS17)			(57,400)						(57,400)
Difference in statutory debits/credits and amounts recognised as income and expenditure in the Financial Statement e.g. Soft Loans									
Gain/loss on revaluation of available for sale financial instruments						5			5
Amount of council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement different to General Fund in accordance with regulations							(250)		(250)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (Amounts excluded in the Income and Expenditure Statement to be included for determining movement in the General Fund)									
Statutory Provision for the repayment of debt (MRP)				(11,115)					(11,115)

	Revaluation Reserve	Available for Sale Reserve	Pensions Reserve	Capital Adjustment Account	Deferred Capital Receipts	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Accumulated Absences Account	Total Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Statutory Repayment of Debt (Finance Lease Liabilities)				(450)	2				(448)
Statutory Repayment of Debt (PFI)				(277)					(277)
Voluntary Provision above MRP									
HRA capital receipts to housing central pool									
Employers contributions to pensions schemes			(24,300)						(24,300)
Revenue contributions to finance capital spend				3,694					3,694
Other adjustments include:									
Use of capital receipts reserve to finance capital expenditure				(7,148)					(7,148)
Use of capital grants reserve to finance capital expenditure				(253)					(253)
Repayment of debt by DCLG relating to the LSVT				(285,216)					(285,216)
Transferred debt repayment				69					69
Adjustment between CAA and Revaluation Reserve for depreciation related to revaluation balance rather than historic cost	1,260			(1,259)					1
Total adjustments	**1,260**	**(19)**	**(81,700)**	**357,839**	**2**	**5**	**(250)**	**0**	**277,137**

	Revaluation Reserve	Available for Sale Reserve	Pensions Reserve	Capital Adjustment Account	Deferred Capital Receipts	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Accumulated Absences Account	Total Unusable Reserves
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(8,646)**	**(19)**	**(269,300)**	**357,608**	**2**	**5**	**(250)**	**0**	**79,402**
Transfers to/from Earmarked Reserves:									
All other movements in reserves	236			(176)					60
Compensated absences								320	320
Total earmarked reserve movements	**236**	**0**	**0**	**(176)**	**0**	**0**	**0**	**320**	**380**
Increase/Decrease movement in the year	**(8,410)**	**(19)**	**(269,300)**	**357,434**	**2**	**5**	**(250)**	**320**	**79,781**
Balance at 31 March 2011 carried forward	**(128,840)**	**(294)**	**167,400**	**(334,349)**	**(128)**	**0**	**(1,000)**	**4,134**	**(293,077)**

Movement in Unusable Reserves: Table for year ending 31 March 2012

	Revaluation Reserve	Available for Sale Reserve	Pensions Reserve	Capital Adjustment Account	Deferred Capital Receipts	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Accumulated Absences Account	Total Unusable Reserves
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2011 carried forward	**(128,840)**	**(294)**	**167,400**	**(334,349)**	**(128)**	**0**	**(1,000)**	**4,134**	**(293,077)**
Surplus/(deficit) on provision of services									
Other Comprehensive Income and Expenditure:									
Revaluation Gains	(4,233)								(4,233)
Revaluation losses (chargeable to revaluation reserve)	2,787								2,787
General movement in available-for-sale		(57)							(57)
Movement in pensions reserve			104,800						104,800
Total Comprehensive Income and Expenditure	**(1,446)**	**(57)**	**104,800**	**0**	**0**	**0**	**0**	**0**	**103,297**
Adjustments between accounting basis & funding basis under regulations:									
Reversal of items debited or credited to the Comprehensive Income and expenditure Statement									
(Amounts included in Income and Expenditure Statement to be removed for determining movement in General Fund)									
Depreciation/amortisation (excl HRA depreciation)				20,787					20,787
Impairment/revaluation losses (charged to I&E)				10,758					10,758

	Revaluation Reserve	Available for Sale Reserve	Pensions Reserve	Capital Adjustment Account	Deferred Capital Receipts	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Accumulated Absences Account	Total Unusable Reserves
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Movement in market value of investment property				2,423					2,423
Movement in value of held for sale assets									
Capital grants and contributions				(43,791)					(43,791)
Revenue expenditure funded by capital under statute				1,773					1,773
Profit/loss on sale of non-current assets				23,867					23,867
Net retirement benefits per IAS 19 (FRS17)			23,300						23,300
Difference in statutory debits/credits and amounts recognised as income and expenditure in the Financial Statement e.g. Soft Loans									
Gain/loss on revaluation of available for sale financial instruments									
Amount of council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement different to General Fund in accordance with regulations							(317)		(317)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement									
(Amounts excluded in the Income and Expenditure Statement to be included for determining movement in the General Fund)									
Statutory Provision for the repayment of debt (MRP)				(16,828)					(16,828)

	Revaluation Reserve	Available for Sale Reserve	Pensions Reserve	Capital Adjustment Account	Deferred Capital Receipts	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Accumulated Absences Account	Total Unusable Reserves
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Statutory Repayment of Debt (Finance Lease Liabilities)				(496)	2				(494)
Statutory Repayment of Debt (PFI)				(296)					(296)
Voluntary Provision above MRP				(850)					(850)
HRA capital receipts to housing central pool									
Employers contributions to pensions schemes			(25,500)						(25,500)
Revenue contributions to finance capital spend				(3,756)					(3,756)
Other adjustments include:									
Use of capital receipts reserve to finance capital expenditure				(2,774)					(2,774)
Use of capital grants reserve to finance capital expenditure				(4,480)					(4,480)
Repayment of debt by DCLG relating to the LSVT									
Transferred debt repayment									
Adjustment between CAA and Revaluation Reserve for depreciation related to revaluation balance rather than historic cost	1,362			(1,362)					0
Total adjustments	**1,362**	**0**	**(2,200)**	**(15,025)**	**2**	**0**	**(317)**	**0**	**(16,178)**

	Revaluation Reserve	Available for Sale Reserve	Pensions Reserve	Capital Adjustment Account	Deferred Capital Receipts	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Accumulated Absences Account	Total Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net Increase/Decrease before Transfers to Earmarked Reserves	**(84)**	**(57)**	**102,600**	**(15,025)**	**2**	**0**	**(317)**	**0**	**87,119**
Transfers to/from Earmarked Reserves:									
All other movements in reserves	748	0	0	(673)	0	0	0	0	75
Compensated absences								1,374	1.374
Total earmarked reserve movements	**748**	**0**	**0**	**(673)**	**0**	**0**	**0**	**1,374**	**1,449**
Increase/Decrease movement in the year	**664**	**(57)**	**102,600**	**(15,698)**	**2**	**0**	**(317)**	**1,374**	**88,568**
Balance at 31 March 2012 carried forward	**(128,176)**	**(351)**	**270,000**	**(350,047)**	**(126)**	**0**	**(1,317)**	**5,508**	**(204,509)**

20. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2010/11 £000s		2011/12 £000s
1,205	Interest received	1,148
(15,992)	Interest paid	(3,815)
1,000	Dividends received	1,000

21. Cash Flow Statement - Investing Activities

2010/11 £000s		2011/12 £000s
(77,048)	Purchase of property, plant and equipment, investment property and intangible assets	(65,876)
(110,950)	Purchase of short-term and long-term investments	(113,600)
10,096	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,155
85,850	Proceeds from short-term and long-term investments	92,602
(92,052)	**Net cash flows from investing activities**	**(83,719)**

22. Cash Flow Statement - Financing Activities

2010/11 £000s		2011/12 £000s
121,500	Cash receipts of short-term and long-term borrowing	36,575
(130,601)	Repayments of short-term and long-term borrowing	(23,575)
(9,101)	**Net cash flows from financing activities**	**13,000**

23. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Executive on the basis of budget reports analysed across departments. A reconciliation between the CIES basis of analysis and the Authority's management accounts is as follows:

The income and expenditure of the Authority's Service Departments recorded in the Outturn reports for 2011/2012 is as follows:

	Adults £000s	Asylum Seekers & Other £000s	Central Departments £000s	Children's Services £000s	Development & Regeneration £000s	Environmental Services £000s	Financial Services £000s	Housing HRA £000s	Housing GRF £000s	Special Funding £000s	Directorate Analysis Total £000s
Fees, charges & other service income	(37,393)	(1,481)	(30,051)	(22,496)	(9,011)	(47,616)	(3,200)	(1,658)	(5,789)	0	(158,695)
Government grants & contributions	(158)	0	(121,300)	(225,907)	0	0	(896)	(1,414)	(2,244)	0	(351,919)
Total income	**(37,551)**	**(1,481)**	**(151,351)**	**(248,403)**	**(9,011)**	**(47,616)**	**(4,096)**	**(3,072)**	**(8,033)**	**0**	**(510,614)**
Employee expenses	38,127	286	23,910	198,252	3,328	30,154	7,630	45	2,960	0	304,692
Other service expenses	65,967	1,136	147,814	91,801	13,614	43,213	53,369	3,027	7,044	0	426,985
Support service recharges	6	59	10,316	12,837	336	304	383	0	998	0	25,239
Total net expenditure	**104,100**	**1,481**	**182,040**	**302,890**	**17,278**	**73,671**	**61,382**	**3,072**	**11,002**	**0**	**756,916**
Net Expenditure	**66,549**	**0**	**30,689**	**54,487**	**8,267**	**26,055**	**57,286**	**0**	**2,969**	**0**	**246,302**

The income and expenditure of the Authority's Service Departments recorded in the Outturn reports for 2010/2011 is as follows:

	Adults £000s	Asylum Seekers & Other £000s	Central Departments £000s	Children's Services £000s	Development & Regeneration £000s	Environmental Services £000s	Financial Services £000s	Housing HRA £000s	Housing GRF £000s	Special Funding £000s	Total £000s
Fees, charges & other service income	(37,152)	(1,371)	19,305	(25,664)	(2,391)	(43,058)	(6,822)	(55,090)	(5,980)	(24)	(158,247)
Government grants & contributions	0	(13)	(113,557)	(237,199)	(65)	(704)	0	(618)	(2,419)	(31,593)	(386,168)
Total income	**(37,152)**	**(1,384)**	**(94,252)**	**(262,863)**	**(2,456)**	**(43,762)**	**(6,822)**	**(55,708)**	**(8,399)**	**(31,617)**	**(544,415)**
Employee expenses	43,516	312	26,202	207,085	4,395	30,757	8,643	0	3,150	423	324,483
Other service expenses	56,770	1,060	88,609	78,919	1,984	38,851	63,664	55,708	8,398	31,182	425,145
Support service recharges	0	13	10,216	12,693	290	352	0	0	47	12	23,623
Total net expenditure	**100,286**	**1,385**	**125,027**	**298,697**	**6,669**	**69,960**	**72,307**	**55,708**	**11,595**	**31,617**	**773,251**
Net Expenditure	**63,134**	**1**	**30,775**	**35,834**	**4,213**	**26,198**	**65,485**	**0**	**3,196**	**0**	**228,836**

Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement.

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2011/2012

	£000s
Directorate analysis	246,302
Amounts in the Comprehensive Income and Expenditure Statement not reported to Management in the analysis	28,400
Amounts in the analysis not included in the Comprehensive Income and Expenditure Statement	(41,680)
Net Cost of Services in the Comprehensive Income and Expenditure Statement	**233,022**

2010/2011

	£000s
Directorate analysis	228,836
Amounts in the Comprehensive Income and Expenditure Statement not reported to Management in the analysis	181,538
Amounts in the analysis not included in the Comprehensive Income and Expenditure Statement	(16,843)
Net Cost of Services in the Comprehensive Income and Expenditure Statement	**393,531**

Reconciliation to Subjective Analysis

2011/2012

	Directorate Analysis £000s	Amounts not reported to management but in cost of services £000s	Amounts reported to management but not in CI&E £000s	Allocation of recharges £000s	Cost of services £000s	Corporate amounts £000s	Total £000s
Fees, charges and other service income	(154,936)	0	24,172	25,204	**(105,560)**	0	**(105,560)**
Interest and investment income	(3,760)	0	3,760	0	**0**	(3,760)	**(3,760)**
Income from council tax	0	0	0	0	**0**	(102,712)	**(102,712)**
Government grants and contributions	(351,918)	0	984	0	**(350,934)**	(213,794)	**(564,728)**
Total Income	**(510,614)**	**0**	**28,916**	**25,204**	**(456,494)**	**(320,266)**	**(776,760)**
Employee expenses	304,692	(2,331)	(11,493)		**290,868**	1,500	**292,368**
Other service expenses	421,873	1,441	(54,058)		**369,256**		**369,256**
Support service recharges	25,239	0	(35)	(25,204)	**0**		**0**
Depreciation, amortisation & impairment	0	29,290			**29,290**		**29,290**
Interest payments & other investments	5,112	0	(5,010)		**102**	7,266	**7,368**
Precepts & levies	0	0			**0**	365	**365**
Payments to Housing Capital Receipts Pool	0	0			**0**		
(Gain)/loss on disposal of non- current assets	0	0			**0**	21,355	**21,355**
Total Expenditure	**756,916**	**28,400**	**(70,596)**	**(25,204)**	**689,516**	**30,486**	**720,002**
(Surplus)/deficit on provision of services	**246,302**	**28,400**	**(41,680)**	**0**	**233,022**	**(289,780)**	**(56,758)**

2010/2011

	Directorate Analysis £000s	Amounts not reported to management but in cost of services £000s	Amounts reported to management but not in CI&E £000s	Allocation of recharges £000s	Cost of services £000s	Corporate amounts £000s	Total £000s
Fees, charges and other service income	(154,770)	0	23,088	23,520	**(108,162)**	0	**(108,162)**
Interest and investment income	(3,478)	0	3,478	0	**0**	(3,478)	**(3,478)**
Income from council tax	0	0	0	0	**0**	(101,677)	**(101,677)**
Government grants and contributions	(386,167)	0	31,009	0	**(355,158)**	(198,547)	**(553,705)**
Total Income	**(544,415)**	**0**	**57,575**	**23,520**	**(463,320)**	**(303,702)**	**(767,022)**
Employee expenses	324,485	(91,991)	(11,584)	0	**220,910**	10,600	**231,510**
Other service expenses	408,874	(5,369)	(46,524)	0	**356,981**	0	**356,981**
Support service recharges	23,623	0	(103)	(23,520)	**0**	0	**0**
Depreciation, amortisation & impairment	0	278,898	0	0	**278,898**	0	**278,898**
Interest payments & other investments	16,269	0	(16,207)	0	**62**	18,715	**18,777**
Precepts & levies	0	0	0	0	**0**	374	**374**
Payments to Housing Capital Receipts Pool	0	0	0	0	**0**	2,234	**2,234**
(Gain)/loss on disposal of non- current assets	0	0	0	0	**0**	402,577	**402,577**
Total Expenditure	**773,251**	**181,538**	**(74,418)**	**(23,520)**	**856,851**	**434,500**	**1,291,351**
(Surplus)/deficit on provision of services	**228,836**	**181,538**	**(16,843)**	**0**	**393,531**	**130,798**	**524,329**

24. Trading Operations

Activity	Note	2011/12			2010/11			2009/10		
		Income £000s	Expenditure £000s	(Surplus) / Deficit £000s	Income £000s	Expenditure £000s	(Surplus) / Deficit £000s	Income £000s	Expenditure £000s	(Surplus) / Deficit £000s
Markets	1	1,653	1,538	(115)	2,718	2,602	(116)	1,562	1,778	216
Building Control	2	411	411	0	428	428	0	513	599	86
Special Needs Transport	3	4,627	4,602	(25)	4,658	4,737	79	4,538	4,744	206
Security & Response	4	1,754	1,972	218	1,695	1,902	207	1,716	1,668	(48)
Schools & Welfare Catering	5	6,177	7,268	1,091	6,339	6,941	602	6,093	7,179	1,086
Fleet Management	6	5,750	5,519	(231)	7,023	6,798	(225)	6,209	5,625	(584)
Building Cleaning	7	2,849	2,977	128	3,561	3,623	62	3,900	3,826	(74)
Legal	8	1,891	1,891	0	2,087	2,087	0	2,053	2,007	(46)
Civic Catering	9	680	558	(122)	524	651	127	529	649	120
(Surplus) / Deficit		**25,792**	**26,736**	**944**	**29,033**	**29,769**	**736**	**27,113**	**28,075**	**962**

Note:

1. **Markets** – this activity hosts retail markets in Bolton, Farnworth, Horwich & Westhoughton and also delivers local produce markets and special events such as the Food & Drink Festival.

2. **Building Control** - ensures that buildings are constructed and altered so that they comply with Building Regulations, that dangerous structures are made safe, and that demolitions are done in as safe a manner as possible.

3. **Special Needs Transport** – transports vulnerable clients on behalf of Children's Services and Adult Services.

4. **Security & Response** - provide services to internal Council departments including courier, porter services, CCTV and security control room.

5. **Schools and Welfare Catering** - manages the catering service to primary and secondary schools in Bolton, and also provides advice on catering, nutrition and kitchen facilities across the borough.

6. **Fleet Management** – transport & fleet maintenance is utilised by all services across the Council and Bolton At Home. It provides an independent MOT service available to the public and a taxi testing unit.

7. **Building Cleaning** - currently delivers a comprehensive, professional cleaning service in approximately 200 buildings across the Council, including 80 Primary and 10 Secondary schools, Civic Centre buildings and office accommodation used by Bolton at Home, Adult and Children's Services. The service has recently been rigorously tested under Best Value principles and is regularly benchmarked with other service providers to ensure value for money.

8. **Legal** - Legal Services provide legal advice on council functions and represent the council in courts, tribunals and inquiries. The main clients are the Council's 5 departments, but a small amount of work is done for outside bodies such as Bolton at Home. There are three legal teams led by senior lawyers; Social services, Environmental & Corporate and property. Work is charged at an hourly rate at the level appropriate to the officers involved.

9. **Civic Catering** - provides catering and refreshments for all types of internal and external functions and events within Civic Buildings.

25. Agency Services

The Authority provides Accommodation services for Refugees on behalf of the North West Consortium (NWC). The North West Consortium (NWC) agrees a fee dependant on type of contract and number of occupants/length of stay. The service currently utilises 175 properties.

	2011/12 £000s	2010/11 £000s
Expenditure incurred in providing accommodation services for Refugees on behalf of the North West Consortium	497	146
Management fee payable by the North West Consortium	(497)	(146)
Net surplus arising on the agency agreement	**0**	**0**

The Authority provided a cash collection service for the GM Casualty Reduction Partnership up to the end of February 2012 processing payments of just under £5m in 2011/12.

	2011/12 £000s	2010/11 £000s
Expenditure incurred for Treasury Services for the GM Casualty Reduction Partnership	19	19
Management fee payable by the Environmental Services	(19)	(19)
Net surplus arising on the agency agreement	**0**	**0**

The Authority provides a payroll and some payment services for Bolton Wise processing transactions of just under £1.9m in 2011/12

	2011/12 £000s	2010/11 £000s
Expenditure incurred in providing payroll and some payment services for Bolton Wise	12	17
Management fee payable by the Environmental Services	(12)	(17)
Net surplus arising on the agency agreement	**0**	**0**

The Authority provides payroll and financial services for Bolton Accommodation and Support for Employment (BASE) Ltd, processing transactions of just under £1m in 2011/12.

	2011/12 £000s	2010/11 £000s
Expenditure incurred in providing payroll and financial services for BASE Ltd	6	6
Management fee payable by BASE Ltd	(6)	(6)
Net surplus arising on the agency agreement	**0**	**0**

The Authority provides performance management, financial and company secretary services for Bolton Community Leisure Trust (BCLT) processing transactions totalling over £5.5m as well as providing legal and administrative support to trustees.

	2011/12 £000s	2010/11 £000s
Expenditure incurred in providing performance management, financial and company secretary services for BCLT	55	55
Management fee payable by BCLT	(55)	(55)
Net surplus arising on the agency agreement	**0**	**0**

26. 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 local NHS Bodies and Children's Services. It is a borough-wide service.

The pooled budget is hosted by the Council on behalf of the two partners to the agreement.

	2011/12		2010/11	
	£000s	£000s	£000s	£000s
Funding provided to the pooled budget:				
- The Authority	(933)		(985)	
- NHS Bodies	(356)		(422)	
		(1,289)		(1,407)
Expenditure met from the pooled budget:				
- The Authority	1,201		1,319	
- NHS Bodies	88		88	
		1,289		1,407
Net surplus arising on the pooled budget during the year		0		0
Authority share of the net surplus arising on the pooled budget		n/a		n/a

27. Members' Allowances

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

	2011/12 £000s	2010/11 £000s
Allowances	866	890
Expenses	2	2
Total	**868**	**892**

28. Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows:

	2011-2012						2010-11
	Salary including Fees and Allowances	**Expense Allowance**	**Benefits in kind**	**Total Remuneration Excluding Pension Contributions**	**Pension Contributions**	**Total Remuneration Including Pension Contributions**	**Total Remuneration Including Pension Contributions**
	£	**£**	**£**	**£**	**£**	**£**	
Chief Executive: Sean Harriss	161,497	183	0	161,680	26,647	188,327	196,860
Deputy Chief Executive	132,500	0	0	132,500	21,863	154,363	153,435
Director of Children's Services	130,000	0	0	130,000	21,450	151,450	150,540
Director of Development and Regeneration	130,000	0	0	130,000	21,450	151,450	150,540
Director of Adult and Community Services	130,000	0	0	130,000	21,450	151,450	150,540
Director of Environmental Services	110,000	0	0	110,000	18,150	128,150	127,380
Director of Chief Executive's Department	110,000	287	0	110,287	18,150	128,437	127,380
	903,997	**470**	**0**	**904,467**	**149,160**	**1,053,627**	**1,056,675**

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

	Teachers		Other Staff	
	2011/12	2010/11	2011/12	2010/11
£50,000 - £54,999	79	58	19	18
£55,000 - £59,999	45	49	11	14
£60,000 - £64,999	23	20	6	5
£65,000 - £69,999	9	9	2	3
£70,000 - £74,999	9	7	5	3
£75,000 - £79,999	7	4	5	7
£80,000 - £84,999	1	3	5	5
£85,000 - £89,999	2	2	0	2
£90,000 - £94,999	1	2	1	1
£95,000 - £99,999	2	1	0	0
£100,000-£104,999	1	2	0	0
£105,000-£109,999	1	0	2	0
£110,000-£114,999	0	0	0	2
£115,000-£119,999	0	0	0	0
£120,000-£124,999	0	0	0	1
£125,000-£129,999	0	0	4	3
£130,000-£134,999	0	0	1	1
£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	1	0
£165,000-£169,999	0	0	0	0
£170,000-£171,999	0	0	0	1

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band	
	2010/11	**2011/12**	**2010/11**	**2011/12**	**2010/11**	**2011/12**	**2010/11 £**	**2011/12 £**
£0-£20,000	0	0	408	439	408	439	3,373,591	3,701,776
£20,001-£40,000	0	0	51	70	51	70	1,330,530	1,965,461
£40,001-£60,000	0	0	10	9	10	9	500,027	429,560
£60,001-£80,000	0	0	1	2	1	2	76,285	154,064
£80,001-£100,000	0	0	0	2	0	2	0	166,575
£100,000-£150,000	0	0	0	1	0	1	0	132,567
£150,000-£200,000	0	0	0	1	0	1	0	188,746
Total	**0**	**0**	**470**	**524**	**470**	**524**	**5,280,433**	**6,738,749**

29. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

	2011/12 £000s	2010/11 £000s
Fees payable with regard to external audit services carried out by the appointed auditor for the year - KPMG	267	296
Fees payable for the certification of grant claims and returns for the year - KPMG	35	54
Refunds from the Audit Commission in respect fees	(21)	(31)
Fees payable in respect of other services provided during the year:		
- KPMG	81	44
- Audit Commission	2	4
Total	**364**	**367**

The fees for other services in 2011/12 include £43,264 in relation to electors' challenge issues relating to accounts pre 2011/12 (£42,395 in 2010/11).

30. 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 2011/12 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure £000s	**Individual Schools Budget £000s**	**Total £000s**
Final DSG for 2011-12			203,038
Brought Forward from 2010-11			4,231
Carry Forward to 2012-13			(5,326)
			201,943
Agreed Budget Distribution in 2011-12	18,013	185,333	203,346
In year adjustments	727	(1,035)	(308)
Final Budget Distribution 2011-12	18,740	184,298	203,038
Actual Central Expenditure	17,093	0	17,093
Actual ISB deployed to Schools	0	184,850	184,850
In-year reserves and DSG carryforward	1,647	(552)	1,095
Carryforward from 2010-11			4,231
Carryforward to 2012-13			5,326

31. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

	2011/12 £000s	2010/11 £000s
Credited to Taxation and Non Specific Grant Income:		
Revenue Support Grant (RSG)	30,234	16,178
Early Intervention Grant	14,901	0
Area Based Grants (ABG)	0	30,733
Local services Support Grant	984	0
Council Tax Subsidy Grant	2,525	0
Capital Grants	67,340	40,224
Total	**115,984**	**87,135**
Credited to Services:		
Housing Revenue Account Subsidy	1,093	617
Supporting People	2,064	666
PFI Special Grant	1,014	1,014
Council Tax Benefit Subsidy	24,341	24,089
Rent Allowance Subsidy	90,506	49,520
HRA Rent Rebates Subsidy	58	34,909
Non-HRA Rent Rebates Subsidy	1,331	1,213
HB and Council Tax Benefit Admin Grant	2,609	2,617
Sure Start Grants	0	11,457
Dedicated Schools Grant	203,651	174,518
Schools Standards Grant and Schools Standards Funds	6,342	35,807
Other Revenue Grants, reimbursements and contributions (Government)	17,925	18,731
Other Revenue Grants, reimbursements and contributions (Non-Government)	1,517	2,207
Total	**352,451**	**357,365**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the end of 2011/12 are as follows:

	2011/12 £000s	2010/11 £000s
Capital Grants Receipts in Advance		
Standards Fund	6,855	26,515
Manchester City Galleries (Museum) - RDA10/11	0	1
Home Office - Safer Stronger Communities	0	48
Learning Skills Council	0	23
Learning Disability and Development Grant	100	0
Other Grants	53	1,528
Total	**7,008**	**28,115**

32. 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.

One Councillor has a private interest with regards Social Care provision. The Council places individual contracts as required and made payments to this organisation amounting to £233,204 in 2011/12 to meet the Council's obligations with regards supported residents.

One Councillor is a director of a highways construction company which the Council employs as a contractor following normal tendering practices. Expenditure with the company is recorded at £441,645 in the Council's accounts.

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

The Deputy Chief Executive and two Councillors are Bolton Council's representatives on the Board of the Octagon Theatre Trust. The Council has one vote out of a total of twelve on voting matters. For a considerable number of years the Council has paid the Trust a grant towards the running expenses of the Theatre. This amounted to £145,380 in both 2011/12 and 2010/2011.

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		2011/12	2010/11
Related Party	**Description of Transaction**	**£000s**	**£000s**
Other Local Authorities	Educational Services	1,045	1,145
	Environmental Services	42	0
	Magistrates share of debt charges	188	177
	Children's Social Care	177	346
	Legal	0	62
Partnership Bodies	Bolton Community Homes Ltd	213	179
	NWIEP	0	23
	Asylum Seekers Grant	1,234	0
	Bolton at Home	162	0
Primary Care Trust	Joint Working Arrangements	13,682	15,835
	PCT	5	0
	Bolton NHS	20	0
	Children's Social Care	307	249
	Recreational	0	108
	Educational Services	6	0
Precepting Authority	Fire & Police	41	0
	Parishes	18	0
Levies from Authorities	Coroner	1,070	1,050
Housing	UK Border Agency	0	176
	Bolton at Home	2,785	0
Other	Probation	0	22
	Commission for the New Economy	46	46
	AGMA Policy and Research	58	0
	GMPTE	48	95
	Youth Justice Board	0	11
	Bolton College	34	0
Sub Total re: Income Rec'd from 3rd Parties		**21,181**	**19,524**

Payments Made		2011/12	2010/11
Related Party	**Description of Transaction**	**£000s**	**£000s**
Other Local Authorities	Educational Services	1,217	683
	Magistrates – share of debt charges	95	114
	Children's Social Care	512	214
	Manchester City Council	82	52
	Stockport MBC	28	0
	Trafford Borough Council	42	0
	Bracknell Forest Borough Council	6	0
	Salford City Council	8	0
	Tameside MBC	11	0
Bolton at Home	Management Fee	1,008	981
	Rent of Properties	305	0
Members	Allowances	866	892
Precepting Authorities	Police, Fire & Civil Defence	16,603	16,407
	Parishes	365	374
Primary Care Trust	Speech Therapy	124	420
	Children's Social Care	208	210
	LD Purchaser Fieldwork	1,642	1,601
	Bolton PCT	6	19
NHS Trust	Royal Bolton Hospitals NHS Trust	16	0
Levies from Authorities	Transport Board Levy	18,790	17,757
	Waste Disposal Authority	16,147	13,022
	Land Drainage Precept	132	0
	S48	377	384
	NW Regional Chamber	0	9
	AGMA Secretariat	321	401
	Other AGMA payments		15
	Red Rose	12	13
	Ecology Unit	15	16
	Geological Unit	18	18
	Archaeological Unit	19	22
	Tourist Information/Marketing Manchester	34	34
	Building Schools for the Future	23	300
	GMPTE	0	1
	HM Court Services	0	378
	HMRC	46	0
	NCSL	1	0
	CWDC	381	0
	YPLA	19	0
	Home Office	10	0
Total re: Payments Made		**59,489**	**54,337**

33. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note:

	Note	2011/12 £000s	2010/11 £000s
Opening Capital Financing Requirement		243,101	511,460
Capital Investment			
Property, Plant and Equipment	**8**	64,190	78,661
Investment Properties	**9**	775	2,468
Intangible Assets	**10**	371	307
Revenue Expenditure Funded from Capital under Statute		2,182	5,276
Sources of Finance			
Capital receipts		(2,774)	(8,013)
Government grants and other contributions		(43,791)	(42,271)
Sums set aside from revenue:			
Direct revenue contributions		(7,591)	(9,065)
MRP/loans fund principal		(18,468)	(10,773)
LSVT - loans repaid		0	(284,949)
Closing Capital Financing Requirement		237,995	243,101
Explanation of movements in year			
Increase in underlying need to borrow (unsupported by government financial assistance)		(5,106)	15,801
Assets acquired under finance leases		0	789
Large Scale voluntary transfer of Housing stock		0	(284,949)
Increase/decrease in Capital Financing Requirement		(5,106)	(268,359)

34. Leases

Authority as Lessee

Finance Leases

The Council has acquired an administrative building, a fleet of vehicles in the Environmental Services Department and its multi-functional office devices under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2012 £000	31 March 2011 £000
Other Land and Buildings	1,390	1,427
Vehicles, Plant, Furniture and Equipment	1,557	2,059
Total leased assets	**2,947**	**3,486**

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2012	31 March 2011
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):		
current	519	496
Non-current	1,345	1,864
Finance costs payable in future years	2,182	2,279
Minimum lease payments	**4,046**	**4,639**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Not later than one year	598	593	518	496
Later than one year and not later than five years	1,186	1,755	1,024	1,542
Later than five years	2,262	2,291	322	322
Minimum lease payments	**4,046**	**4,639**	**1,864**	**2,360**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 contingent rents payable by the Authority were £255k (2010/11 £255k). The Authority has sub-let some of a property held under a finance lease. At 31 March 2011 the minimum payments expected to be received under non-cancellable sub-leases was £116k (£116k at 31 March 2011).

Operating Leases

The Authority leases property for administrative purposes, and also leases office equipment in schools.

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

	31 March 2012	31 March 2011
	£000	**£000**
Not later than one year	1,561	1,689
Later than one year and not later than five years	2,500	3,343
Later than five years	4,995	5,391
	9,056	**10,423**

The expenditure in the year of £2,107,522 in relation to these leases was charged to the relevant service lines (2010/11 £1,890,312).

Authority as Lessor

Finance Leases

The Authority has leased out property at Paderborn House to Beales Plc and property at Newport St to Nationwide, both under finance leases with 17 and 56 years remaining, respectively.

The Authority has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The residual value is nil. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2012	31 March 2011
	£000	**£000**
Finance lease debtors (net present value of minimum lease payments):		
Current	2	2
Non-current	122	124
Unearned finance income	279	291
Gross investment in the lease	**403**	**417**

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2012	**31 March 2011**	**31 March 2012**	**31 March 2011**
	£000s	**£000s**	**£000s**	**£000s**
Not later than one year	14	14	14	14
Later than one year and not later than five years	54	54	54	54
Later than five years	335	349	335	349
	403	**417**	**403**	**417**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £221k contingent rents were receivable by the Authority (2010/11 £221k). There are no accumulated allowances for uncollectible minimum lease payments (bad debts provision).

Operating Leases

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

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

	31 March 2012	**31 March 2011**
	£000	**£000**
Not later than one year	2,086	1,928
Later than one year and not later than five years	7,400	7,070
Later than five years	139,542	135,321
	149,028	**144,319**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

35. PFI and Similar Contracts

PFI

In September 2003 a new school, library, training centre and community facility opened at Castle Hill. It was procured through a Public Finance Initiative (PFI). Under the 2009 SORP the asset is now included on the balance sheet although it is not in the Council’s ownership. The Council is committed to an annual unitary payment of £1.5m increasing annually by RPI until 2028/29.

Payments

The Authority makes an agreed payment each year which is increased each year by RPI and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2012 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services £000s	Reimbursement of Capital Expenditure £000s	Interest £000s	Total £000s
Payable in 2012/13	832	314	523	1,669
Payable within 2 to 5 years	3,329	1,468	1,880	6,677
Payable within 6 to 10 years	4,162	2,418	1,766	8,346
Payable within 11 to 15 years	4,162	3,282	902	8,346
Payable in 16 to 20 years	1,248	1,197	59	2,504
Total	**13,733**	**8,679**	**5,130**	**27,542**

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

	2011/12 £000s	2010/11 £000s
Balance outstanding at start of year	8,975	9,253
Payments during the year	(296)	(278)
Capital expenditure incurred during the year	0	0
Other movements	0	0
Balance outstanding at 31 March 2012	**8,679**	**8,975**

Other Contracts

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.

36. Impairment Losses

During 2011/12, the Authority has recognised an impairment loss of £1.75m relating to the planned demolition of acquired private sector renewal properties, and £130k relating to the demolition of Nessford House.

37. Termination Benefits

The Authority terminated the contracts of 524 employees (423 in 2010/11), incurring liabilities of £6,738,749 (£5,280,433 in 2010/11).

Of this amount £4,910,300 was made in respect of voluntary severance and redundancy payments (£3,676,629 in 2010/11), and £1,828,449 (£1,603,804 in 2010/11) was to cover the capitalisation costs of pensions.

38. Pension Schemes Accounted for as Defined Contribution Schemes

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.

	2011/12	**2010/11**
Percentage contributed (%)	14.1	14.1
Amount contributed (£000s)	12,328	12,563

With regard to the Teachers' Pension Scheme, there were employers' contributions of £1,029,971.78 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 39.

39. Defined Benefit Pension Schemes

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 post-employment schemes:

The Local Government Pension Scheme administered locally by Tameside 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 38

Transactions relating to retirement benefits

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

	2011/12 £000s	**2010/11 £000s**
Comprehensive Income and Expenditure Statement		
Cost of Services		
current service cost	19,100	25,000
past service costs	1,600	(94,400)
curtailments and settlements	1,100	1,400
Financing and Investment Income and Expenditure		
interest cost	47,000	56,900
expected return on scheme assets	(45,500)	(46,300)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	23,300	(57,400)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
actuarial gains and losses	104,800	(187,600)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	128,100	(245,000)
Movement in Reserves Statement		
reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	2,200	81,700
Actual amount charged against the General Fund Balance for pensions in the year:		
employers' contributions payable to the scheme		
current service cost	22,300	21,200
past service costs	3,200	3,100

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2012 is a loss of £104.8m.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities:

	2011/12 £000s	2010/11 £000s
Opening balance at 1 April	857,500	1,107,100
Current service costs	19,100	25,000
Interest costs	47,000	56,900
Contributions by scheme participants	7,500	8,300
Actuarial gains and losses	69,300	(215,800)
Benefits paid	(34,000)	(31,000)
Past service costs	1,600	(94,400)
Curtailments	1,100	1,400
Closing balance at 31 March	**969,100**	**857,500**

Reconciliation of fair value of the scheme assets:

	2011/12 £000s	2010/11 £000s
Opening balance at 1 April	690,100	670,400
Expected rate of return	45,500	46,300
Actuarial gains and losses	(35,500)	(28,200)
Employer contributions	25,500	24,300
Contributions by scheme participants	7,500	8,300
Benefits paid	(34,000)	(31,000)
Closing balance at 31 March	**699,100**	**690,100**

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 £10m in 2011/12 (£45m in 2010/11).

Scheme History

	2011/12	2010/11	2009/10	2008/09	2007/08*
Present value of liabilities: Local Government Pension Scheme	(969,100)	(857,500)	(1,107,100)	(663,200)	(667,500)
Fair value of assets in the Local Government Pension Scheme	699,100	690,100	670,400	488,600	581,900
Surplus/(deficit) in the scheme: Local Government Pension Scheme	**(270,000)**	**(167,400)**	**(436,700)**	**(174,600)**	**(85,600)**

* 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 post-employment retirement benefits. The total liability of £270.0m 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 2013 is £19.5m.

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 2010.

The principal assumptions used by the actuary have been:

	2011/12	2010/11
Long-term expected rate of return on assets in the scheme:		
Equity investments	6.3%	7.5%
Bonds	3.9%	4.9%
Property	4.4%	5.5%
Cash	3.5%	4.6%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	20.1	20.1
Women	22.9	22.9
Longevity at 65 for future pensioners:		
Men	22.5	22.5
Women	25.0	25.0
Rate of inflation	2.5%	2.8%
Rate of increase in salaries		
- 2010/11 to 2012/13		1%
- 2013/14 onwards		4.3%
- To March 2015	1%	
- April 2015 Onwards	4.3%	
Rate of increase in pensions	2.5%	2.8%
Rate for discounting scheme liabilities	4.8%	5.5%
Take-up of option to convert annual pension into retirement lump sum		
Pre April 2008 Service	50%	50%
Post April 2008 Service	75%	75%

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

	31 March 2012 %	31 March 2011 %
Equity investments	70	66
Bonds	18	17
Other assets	12	17
	100	**100**

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2011/12 %	2010/11 %	2009/10 %	2008/09 %	2007/08 %
Differences between the expected and actual return on assets (investments)	(5.08)	(4.09)	21.70	(28.82)	(14.73)
Experience gains and losses on liabilities (pensions)	1.29	(12.55)	0.29	0.66	(0.22)

40. Contingent Liabilities

- **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 1997. 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. At present, Bolton Council is self-funding claims over and above the stop that has already been reached. Bolton Council's details have been given to the liquidator, but it remains uncertain as to how much recovery will be available.

- **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 has been required to repay an element of the grant.

  With effect from 9 February 2011, the Department of Communities and Local Government removed capital clawback rights on four major grant programmes which had been in operation during the last 25 years (SRB, Urban Programme, City Challenge and Inner Area Grants). However, the Council still retains liabilities under European Regional Development Fund Programme and the Heritage Lottery Fund for several of its Programmes.

- **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 cannot 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 – see Note 17. 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.

- **Construction works at Council building**

  The Authority has been in dispute with a building contractor over alleged additional costs incurred due to the presence of asbestos in a council building that has been refurbished. A decision from an arbitrator is awaited with regards to the legal costs payable to the contractor, following a settlement of the dispute. The legal costs awarded could be as high as £300k, the amount claimed by the contractor. In May 2012 £108k was paid on account, on the instruction of the arbitrator. It is the opinion of the Legal Department that the final award of costs should be lower than the maximum claimed, and the payment on account was more than sufficient to settle the costs.

- **Employment Tribunal Award**

  A remedy hearing has been listed for August 2012 to determine the amount of compensation to be awarded to an ex-employee. This is following the judgment of an employment tribunal and successful claim of constructive unfair dismissal in September 2011. The amount is yet to be established.

41. Contingent Assets

Additional income of up to £1.733m 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.

42. Nature and Extent of Risks Arising from Financial Instruments

Key Risks

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the 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 Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in interest rates 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.

Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported on a quarterly basis.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 23 February 2011 and is available on the Council website.

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

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

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

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

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

- **Banks/Building Societies–** the Council will only use UK banks and building societies which have at least the following Fitch, Moody's and Standard and Poors ratings (where rated):
    - Short Term – *F1/P1/A1*
    - Long Term – *A-/A3/A-*

- Individual / Financial Strength – *C/C* (Fitch / Moody's only)
- Support – *3* (Fitch only)

- In addition the Council will use those banks which are classed as *an Eligible Institution for the HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008;* with the necessary short and long term ratings required of the Banks/Building Societies above. These institutions have been subject to suitability checks before inclusion, and have access to HM Treasury liquidity if needed.
  - The Council's own banker (Co-operative Bank) if this falls below the above criteria;
  - **Money Market Funds** – *AAA;*
  - **UK Government** (including gilts and the DMADF); and
  - **Local Authorities and Parish Councils**.

  The full Investment Strategy for 2011/12 was approved by Full Council on 23 February 2011 and is available on the Council's website.

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 £10m of its surplus balances to any one institution. Based upon past experience the investments held at the 31 March 2012 were of a low risk of default.

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

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Source of Loan	Interest Rates %	Total Outstanding 31 March 2011/12 £000s	 2010/11 £000s
Bonds	3.00 to 12.125	90,250	72,250
Mortgages	3.33	1	1
Total Borrowing		**90,251**	**72,251**
Less: Due Within 12 Months on Demand		0	0
		90,251	**72,251**
An Analysis of Loans by Maturity at 31 March :-			
Amounts of Principal to be Repaid			
Within 1 year		0	0
In 1 to 2 Years		0	0
In 2 to 5 Years		7,000	7,000
In 5 to 10 Years		3,250	3,250
10 - 20 Years		2,000	2,000
20 – 30 Years		0	0
30 – 40 Years		0	0
40 -50 Years		48,000	30,000
After 50 Years		30,001	30,001
		90,251	**72,251**

Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council’s day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The risk is that the 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.

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 CIES or MIRS. 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 90% of its borrowings in variable rate loans, 58% of the borrowings held at the 31 March 2012 were 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	525
Increase in interest receivable on variable rate investments	(390)
Increase in government grant receivable for financing costs	0
Impact on Income and Expenditure Account	**135**
Share of overall impact credited to the HRA	**0**
Decrease in fair value of “available-for-sale” investment assets	4
Impact on MIRS	4
Decrease in fair value of fixed rate investment assets – (no impact on CIES & MIRS)	**0**

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 or marketable bonds but does have a holding to the value of £0.4m 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 unquoted equity investments in Manchester Airport Group and Blackburn with Darwen and Bolton Local Education Partnership are shown at historic cost.

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 MIRS. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £19,000 gain or loss being recognised in the MIRS.

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.

43. Heritage Assets: Summary of Transactions

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 recommends a summary of acquisitions, donations and disposals by category relating to Heritage assets. It is not considered practical to identify transactions that arose in years before 2010/2011.

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

In summary, around 100 objects are acquired for the collections every year. The vast majority of these are donated by individuals or organisations and are social history items with a nominal value. In 2011/12 fewer than 10 items have been purchased;

the highest value being a grant-funded digital art work for £5,000. All other purchased items were acquired at a significantly lower cost.

During the same time period a number of items have been disposed of from the collections as part of a rationalisation process carried out following accredited professional museum standards. The majority of these objects also had a low or nominal value. Some large industrial machinery was ultimately scrapped, raising a small income which broadly balanced the expenditure on new additions to the collection.

However, in 2011/2012 a number of paintings were sold from the art collection as part of a special project in order to raise capital investment for a museum resource centre. The carrying value of these paintings was £623,500, the proceeds of sale were £304,735.

There have been no acquisitions or disposals relating to the historic buildings. Overall, it is considered that overall value of the heritage assets during 2010/2011 and 2011/2012 has not been significantly altered by these transactions, other than the sale of paintings referred to above.

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

Further details of the museum and archive collections can be found in the Bolton Museum website. In particular, attention is drawn to the Museum Acquisition and Disposal Policy which provides a thorough summary of the museum collections, and the Archives Collecting Policy which provides a similar summary of the archive document collection.

The management of the collections is guided by recognised and externally assessed professional museum and archive standards. These cover all aspects of museum and archive functions, including acquisition and disposal of material, public access, care, documentation and object movement. All three major museum sites have been awarded museum Accreditation status and the archive is a legally recognised public repository.

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

As is typical with most museums, around 5 to 10% of the collections are on display at any one time; with a far lower percentage for archive and library holdings. However, it should be emphasised that all the collections are publically accessible on request and are a much valued resource used for everything from serious academic study to student art projects.

Individual items from the museum collections are occasionally lent to other local, regional national and international museums. The Service will also take in some items on loan, usually for specific exhibitions. Entry, exit, care and insurance of such material is strictly managed according to professional standards.

Heritage Assets of Particular Importance

Bolton is fortunate to have cultural collections of particular breadth and quality, especially for a local authority of its size. As outlined above, more detailed summaries of the collections can be found on public documents via the museum website.

Particular note should be made of:

- The Ancient Egyptian collection is of international importance and is believed to be the most significant in any local authority-run museum in the UK. This collections which covers thousands of years of history, was mainly gathered via excavation. The history of its acquisition is particularly linked to the cotton spinning heritage of the Borough.
- The art collection is particularly strong in 20th century British painting and sculpture and 18th and early 19th century English watercolours. The service also owns the largest UK collection of work by the artist Thomas Moran, who was born in Bolton.
- A collection of painted and decorated panels by world-famous craftsman Thomas Kershaw, who spent his formative years in Bolton.
- A large collection of objects, documents and artworks relating to the social and industrial history of Bolton and surrounding towns. Of particular significance is a collection of early textile machines, including the only surviving spinning mule known to have been made by its inventor Samuel Crompton.
- Large collection of natural history, including plants, insects and animals.
- The Bowyer Bible – This multi volume edition of the Bible housed in its own cabinet was designed in the late 18th century and contains thousands of etchings drawn from European art to illustrate every story in the Bible plus flora, fauna, places and people mentioned. It was given to the town by descendants of its former owner, a Mayor of Bolton and local textile manufacturer.
- The Worktown Collection comprises images, artworks and published material relating to the Mass Observation Worktown project undertaken in Bolton in 1937and 1938. This includes a world famous set of photographs taken by Humphrey Spender as part of the project.
- Bill Naughton archive – archive of the Bolton author and playwright.
-

Preservation and Management

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

The management of the collections is guided by recognised and externally assessed professional museum and archive standards. These ensure that the collections are managed for the public good in a clear and accountable fashion and cover all aspects of museum and archive functions; including acquisition and disposal of material, public access, care of collections, documentation and record keeping, insurance and object movement. Detail on these policies and procedures can be found on the museum website.

Transactions into and out of the collections are particularly tightly managed. All acquisitions are guided by a strict policy which dictates what material can be added to collections and in what circumstances. It also sets priority areas for active or passive collecting.

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

All such policies, along with significant collection transactions (i.e major purchases and all proposed disposals) are subject to formal approval by Elected Members.

Professional officers (e.g. an archivist, local studies librarian, museum collection access officers) are employed within the service to actively manage the collections. As well as making recommendations for acquisitions and disposals where appropriate, they will also ensure that the collections are cared for, stored properly and update associated collection databases. Most importantly, they ensure the collections are actively used by answering enquiries, curating displays, delivering services for schools, running events and activities, talks and tours.

45. Heritage Assets: Change in Accounting Policy required by the Code of Practice for Local Authority Accounting in the United Kingdom

Heritage Assets

For 2011/12 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at depreciated replacement cost or historic cost) in the property, plant and equipment classification in the Balance Sheet, or as investment property (at market value) or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the Authority's summary of significant accounting policies (see Note 1 on page 20).

In applying the new accounting policy, the Authority has identified that the assets that were previously held as community assets or investment assets at £2.175 million should now be recognised as heritage assets and measured at £6.014million with a corresponding increase in the Revaluation Reserve. These assets relate to a proportion of the Library and Museum's art collection which was previously recognised in the community assets classification of property, plant and equipment, and the two historic buildings which were held as a community asset and an investment property. The Authority will also recognise an additional £47.806 million Library and Museum's items as heritage assets that were not previously included in the Balance Sheet. Again, this increase is also recognised in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £53.819 million. The element that was previously recognised in property, plant and equipment and in Investment property has been reclassified and written down by £2.175 million. The revaluation reserve has increased by £51.644 million.

The fully restated 1 April 2010 Balance Sheet is provided on page 16. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Opening Balance Sheet 1 April 2010

	Opening balances as at 1 April 2010 £000s	**Restatement £000s**	**Restatement required to opening balances as at 1 April 2010 £000s**
Property, Plant & Equipment	1,186,206	1,184,143	(2,063)
Investment Property	58,669	58,557	(112)
Heritage Assets	0	53,819	53,819
Long Term Assets	**1,272,308**	**1,323,952**	**51,644**
Total Net Assets	**405,034**	**456,678**	**51,644**
Unusable reserves	321,215	372,859	51,644
Net Worth/Total Reserves	**405,034**	**456,678**	**51,644**

The adoption of the Heritage Asset Policy has had no effect on the 2010/2011 Comprehensive Income and Expenditure Statement or the Cash Flow Statement.

Movement in Reserves Statement – Unusable Reserves 2010/11

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy is presented in the table below. Only the Reserves balances are affected, none of the Movements' figures need to be restated.

	As Previously Stated 31 March 2011 £000s	**Restatement 31 March 2011 £000s**	**Restatement required to opening balances as at 1 April 2010 £000s**
Reserves Balance as at the end of the previous reporting period – 31 March 2010	405,034	456,678	51,644
Reserves Balance as at the end of the current reporting period – 31 March 2011	363,611	415,255	51,644

The resulting restated Balance Sheet for 31 March 2011 is provided on page 16.

The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Balance Sheet 31 March 2011

	As Previously Stated 31 March 2011 £000s	**As Restated 31 March 2011 £000s**	**Restatement 2011 £000s**
Property, Plant & Equipment	570,450	568,387	(2,063)
Investment Property	60,859	60,747	(112)
Heritage Assets	0	53,819	53,819
Long Term Assets	**654,939**	**706,583**	**51,644**
Total Net Assets	**363,611**	**415,255**	**51,644**
Unusable reserves	241,433	293,077	51,644
Net Worth/Total Reserves	**363,611**	**415,255**	**51,644**

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £53.819 million on the Balance Sheet resulting in an increase to the Revaluation Reserve of £51.644 million and property, plant and equipment being restated by the amount of heritage assets previously recognised at cost in community assets (a sub-classification of property, plant and equipment) of £2.063 million, and investment property being restated by the amount of heritage assets previously recognised in that category of £0.112 million.

46. Trust Funds

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

	Balance at 1 April 2011	Income	Expenditure	Balance at 31 March 2012		Represented by:		
						Cash / Other Balances	External Investments	Total
	£	£	£	£		£	£	£
Environmental Services								
Red Lion Playing Field Trust	2,173.58	4.92	0	2,178.50		1,234.16	944.34	2,178.50
F Greenhalgh Prize	77.73	0.31	0	78.04		78.04	0	78.04
Topps Trust Fund	1,657.09	6.61	9.87	1,653.83		1,653.83	0	1,653.83
Adult Services								
Workshops & Homes for the Elderly	68,476.31	273.90	0	68,750.21		68,750.21	0	68,750.21
Blair Sick Fund	11,001.33	94.20	0	11,095.53		9,464.98	1,630.55	11,095.53
Children's Services								
Leigh Bramwell	49,747.56	2,663.72	1,515.87	50,895.41		11,801.43	39,093.98	50,895.41
Westhoughton Education Trust	21,533.65	1,473.87	0	23,007.52		6,849.82	16,157.70	23,007.52
Christopher Westhead	5.29	0	0	5.29		5.29	0	5.29
Sister Alice Ann Ingham Memorial Fund	404.85	0	0	404.85		404.85	0	404.85
John Goodenday	1,684.85	0	506.23	1,178.62		1,178.62	0	1,178.62
Eagley Bridge	8,957.91	44.79	0	9,002.70		9,002.70	0	9,002.70
Total	**165,720.15**	**4,562.32**	**2,031.97**	**168,250.50**		**110,423.93**	**57,826.57**	**168,250.50**

HOUSING REVENUE ACCOUNT (HRA)

HRA Income and Expenditure Statement

This Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

	2011/12 £000s	2010/11 £000s
Income		
Dwellings	543	51,585
Non-Dwelling	0	329
Charges for services and facilities	1,180	503
Contribution towards expenditure (from General Fund	0	2,813
HRA Subsidy Receivable (note 4)	1,093	618
Total Income	2,816	55,848
Expenditure		
Repairs and maintenance	567	13,948
Supervision and management	995	21,197
Rents, rates, taxes and other charges	(20)	193
HRA Subsidy payable	0	0
Depreciation and impairments of non-current assets (note 8)	0	249,447
Debt management costs	0	99
Total expenditure	1,542	284,884
Net Cost of HRA Services as included in the whole Authority Comprehensive Income and Expenditure Statement	**(1,274)**	**229,036**
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	**(1,274)**	**229,036**
HRA Share of the operating Income and Expenditure included in the whole Authority Comprehensive Income and Expenditure Statement:		
Gain or loss on sale of HRA non-current assets	0	397,402
Interest payable and similar charges	0	8,589
Interest and investment income	0	(71)
(Surplus) or deficit for the year on HRA services	**(1,274)**	**634,956**

Movement on the HRA Statement

The overall objectives for the Movement on the HRA Statement and the general principles for its construction are the same as those for the Movement in Reserves Statement into which it is consolidated. The statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

	2011/12 £000s	2010/11 £000s
Balance on the HRA at the end of the previous reporting period	**(7,788)**	**(6,491)**
Surplus or Deficit on the HRA Income and Expenditure Statement	(1,274)	634,956
Adjustments between accounting basis and funding basis under regulation	0	(636,377)
Net increase or decrease before transfer to or from reserves	**(1,274)**	**(1,421)**
Transfer to or from reserves	(9,062)	124
(Increase) or decrease in year on the HRA	7,788	(1,297)
Balance on the HRA at the end of the current accounting period	**0**	**(7,788)**

Note to the Movement on the HRA Statement

	2011/12 £000s	2010/11 £000s
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the code and those determined in accordance with statute	0	(250)
Difference between any other item of income and expenditure determined in accordance with the code and determined in accordance with statutory HRA requirements	0	638
Gain or loss on the sale of HRA non-current assets	0	(397,402)
HRA share of contribution to or from Pensions Reserve	0	0
Capital Expenditure funded by the HRA	0	1,834
Transfer to/from Major Repairs Reserve	0	(1,005)
Transfer to/from Capital Adjustment account	0	(240,192)
Adjustment between accounting basis and funding basis under regulation	**0**	**(636,377)**

Notes to the Housing Revenue Account

1. Housing Revenue Account Stock

All dwellings owned by the Council were transferred to Bolton at Home Limited on 28 March 2011 in accordance with the agreement for the transfer of the Council's housing stock.

2. Operational and Non-Operational Assets

There were no Operational or Non-operational Assets held by the HRA at the 31 March 2012.

3. Housing Repairs Account

There were no transactions incurred in 2011/12 in relation to the Housing Repairs Account. However in 2011/12 other maintenance work totalling £567k had been undertaken.

4. Housing Revenue Account Subsidy

There was no entitlement to subsidy in 2011/12 following the transfer of the housing stock on the 28 March 2011. The amount shown in the HRA is in relation to a prior year adjustment.

5. Capital Expenditure 2011/12

Capital expenditure for the year totalled £0k and has been financed as follows:

	2011/12 £000s	**2010/11 £000s**
Loans	0	5,750
Major Repairs Allowance (See also note 7)	0	8,250
Capital Receipts	0	1,252
Grants	0	1,045
Revenue	0	1,834
Change in Capital Creditors	0	1,478
Total Capital Expenditure	**0**	**19,609**

Capital Expenditure was incurred over the following assets:

	2011/12 £000s	**2010/11 £000s**
Council Housing	0	19,438
Non-operational Assets	0	171
Total Capital Expenditure	**0**	**19,609**

6. Capital Receipts 2010/11

The following capital receipts were received in the year:

	2011/12 £000s	2010/11 £000s
Sale of Dwellings	0	3,160
Sale of Land	0	0
Other property	0	0
Total Capital Receipts	**0**	**3,160**

7. Major Repairs Account

There were no transactions incurred in relation to the Major Repairs Account in 2011/12 following the stock transfer on the 28 March 2011.

8. Depreciation Charges

There were no charges in relate to depreciation for the land, houses & property within the HRA in 2011/12 following the stock transfer on the 28 March 2011.

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 an accruals basis.

Income and Expenditure Account

	Notes	2011/12 £'000s	2010/11 £'000s
Income			
Council Tax	1	95,393	95,028
Transfers from General Fund:			
Council Tax Benefit		24,104	23,818
Business Rates	2	80,950	76,247
		200,447	195,093
Expenditure			
Precepts and Demands	3	118,966	117,834
Business Rates:			
Payment to National Pool		80,473	75,598
Cost of Collection Allowance		400	400
Interest on Refunds		76	249
Council Tax Bad and Doubtful Debts / Appeals:			
Provisions		(410)	2
Write Offs		573	714
Contribution towards Previous Years' Estimated Collection Fund Surplus		0	0
		200,078	194,797
Surplus/(Deficit) for the Year		369	296
Surplus at Beginning of Year		1,162	866
Surplus at End of Year		**1,531**	**1,162**

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 2011/12 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	121	5/9	67	0.1%
Band A	Up to £40,000	52,363	6/9	34,909	41.1%
Band B	£40,000 to £52,000	18,163	7/9	14,127	16.6%
Band C	£52,001 to £68,000	16,370	8/9	14,551	17.1%
Band D	£68,001 to £88,000	9,364	1	9,364	11.0%
Band E	£88,001 to £120,000	4,880	11/9	5,965	7.0%
Band F	£120,001 to £160,000	2,010	13/9	2,903	3.4%
Band G	£160,001 to £320,000	1,641	15/9	2,735	3.2%
Band H	More than £320,000	190	18/9	379	0.5%
Total		105,102		85,000	100.0%

Estimated collection rate 98%

Council Tax base for tax setting 2011/12 83,300

* 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 (43.3p in 2011/12, compared to 40.7p in 2010/11) 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		97,664
Less: Transitional and Other Relief Arrangements		(15,299)
		82,365
Less: Bad Debts / Provision for Bad Debts		(1,416)
		80,949
Cost of Collection Allowance	(400)	
Interest on Refunds	(76)	(476)
Net Contribution to N.N.D.R. Pool		**80,473**

The NNDR rateable value for the Council's area at the 31 March 2012 was £236,346,608 compared to £232,972,820 at the 31 March 2011.

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 £97,810,329 in 2011/12 (approximately £367.03 per head of a population of 266,492). 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 2011/12, with the figures for 2010/11 for comparison:

	2011/12 £'000	2010/11 £'000
Bolton M.B.C. Demand	102,396	101,428
Greater Manchester Police Authority Precept	12,141	12,020
Greater Manchester Fire and Civil Defence Authority Precept	4,429	4,386
Total Demands and Precepts	**118,966**	**117,834**

Business Improvement District

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

The scheme operated up to the 31st March 2011. Following a ballot which resulted in a no vote, the BID ceased to operate from 1st April 2012.

The costs of administering collection are shown in a separate account for the purposes of clarity. The accounts have been prepared on the accruals basis.

BID Income and Expenditure Account

	2011/12 £000s	2010/11 £000s
Income		
Receipt from IEP BID Ltd	64	0
BID levy	15	409
	79	**409**
Expenditure		
Payments to IEP BID Ltd	0	390
Provision for bad debt	50	11
Write Offs	15	15
	65	**416**
Surplus/(Deficit) for the Year	14	(7)
Surplus/(Deficit) at Beginning of Year	(14)	(7)
Surplus/(Deficit) at End of Year	**0**	**(14)**

BID cost of collection Income and Expenditure Account

	2011/12 £000s	2010/11 £000s
Income		
BID Admin costs invoiced to IEP BID Ltd	5	11
Recovery costs raised	0	3
	5	14
Expenditure		
Staffing	0	9
BID Software/Maintenance	1	2
Provision for bad debt	4	3
	5	**14**

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 Deputy Chief Executive.
- to manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

The Deputy Chief Executive's Responsibilities

The Deputy Chief Executive is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code).

In preparing this Statement of Accounts, the Deputy Chief Executive has:

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

The Deputy Chief Executive 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 2012.

Stephen M Arnfield
Deputy Chief Executive
30 June 2012

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 Deputy Chief Executive. This statement explains how Bolton Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2011.

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 2012 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), During 2011/12 this process has been streamlined to reflect the significant reduction in resources available to the council whilst maintaining the emphasis on the council's priorities.

- 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 responsibly 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 efficiency reviews or studies in order to respond to significant reduction in resources in the future.
- 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 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.
- The appointment of Senior Information Risk Owner (SIRO) and production of wide ranging guidance on information security on a discrete intranet page.
- From May 2012 the council changed its decision making process The council's Executive of eight councillors has been replaced by a Cabinet of 14 Councillors. The Cabinet is made up of three 'Executive Cabinet Members' – The Leader, Deputy Leader and Executive Cabinet Member Environment, Regulatory Services and Skills, and 11 Cabinet Members.
- In response to the Localism Act 2011 the council has:
    - Reinforced the existence of a Standards Committee and the local arrangements to handle complaints against Members.
    - Agreed and published its pay policy for 2012/13

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 audit. 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 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, Section 151 Officer, 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 inspections received by the council The Council has continued to develop further good practice during 2011/12

The 2011/12 process has not identified any significant issues that the council feels necessary to highlight in this statement.

The council continues to face significant pressures during 2012/13 and beyond around budget and service changes as well as changes to legislation. The council's VFM and efficiency process and CBPP will take account of the impact that any changes might have on governance and internal control.

Signed:

Leader of the Council

Signed:

Chief Executive

KPMG

Independent auditor's report to the members of Bolton Council

We have audited the financial statements of Bolton Council for the year ended 31 March 2012 on pages 7 to 121. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of the Authority, 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 the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Deputy Chief Executive and auditor

As explained more fully in the Statement of the Deputy Chief Executive's Responsibilities, set out on page 122, the Deputy Chief Executive is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Deputy Chief Executive; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2012 and of the Authority's expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 123 to 126 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

Conclusion on Bolton Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

Basis of conclusion

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, we are satisfied that, in all significant respects, Bolton Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

Certificate

We certify that we have completed the audit of the financial statements of Bolton Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

Tim Cutler

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St James' Sqaure
Manchester
M2 6DS

28 September 2012

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.

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

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

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

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

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

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.

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.

HERITAGE ASSETS

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

HISTORIC COST

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

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

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

INTANGIBLE ASSETS

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

INVENTORIES

Inventories comprise the following categories:

- goods or other assets purchased for resale;
- consumable stores;
- raw materials and components purchased for incorporation into products for sale;
- products and services in intermediate stages of completion;
- long-term contract balances; and
- finished goods.

INVESTMENTS

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

INVESTMENT PROPERTY

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

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.

OPERATING LEASES

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

OUTTURN

Actual Income and Expenditure in a financial year.

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

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

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

RESERVES
Amounts set aside to meet expenditure which may be incurred in future periods. Earmarked reserves are allocated to a specific area of spending. Unallocated reserves arise as unplanned surpluses of income over expenditure.

Reserves are classified as either usable or unusable. Usable reserves are those that the Council can use to fund the provision of services or fund capital expenditure. Conversely, unusable reserves are those which the Council cannot use to provide services or fund capital expenditure.

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

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

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

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