Bolton Council

# Statement of Accounts

# 2010/2011

**Contents**

# Foreword by the Director of Corporate Resources

## 1. Introduction

This document is the Council's Statement of Accounts for the year ending 31 March 2011, 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** 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.

- **Group Accounts.** These show the effect of incorporating the transactions of Bolton at Home Ltd into Bolton MBC's accounts. Until 28 March 2011, Bolton at Home was a wholly owned arms length company set up by the Council to manage its Housing stock and assist with private sector housing functions and regeneration. On 28 March 2011 a large scale voluntary transfer of housing stock took place establishing Bolton at Home Ltd. as a Social Landlord totally independent from the Council.

- **Governance Statement.** This statement explains the system of controls operating within the Council to secure sound financial control and good governance.

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

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

## 2. Developments in the Year

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. The Council has developed a comprehensive savings and efficiency programme in order to meet this challenge. Where possible saving will be made through efficiencies but it is inevitable that with savings on this scale there will be impacts on services across the board.

- The Council balloted the tenants in July 2010 with regard to the possible transfer of its Council Housing stock to Bolton at Home Ltd. as a Social Landlord. The result of the ballot was the transfer of its Council Housing stock to Bolton at Home Ltd. and this took place on the 28th March 2011. 18,041 properties were transferred to Bolton at Home Ltd. and the debt associated with these properties of over £285m was repaid by Central Government on the 31 March 2011. This Large Scale Voluntary Transfer of Council Houses (LSVT) has had a major impact on the 4 core statements to the accounts.

- The Council secured £4.3m of Heritage Lottery Funding to redevelop and regenerate Queens Park, along with £3m matching funding. Work in 2010/11 has included the restoration of Dobson Bridge, de-silting the lakes, resurfacing footpaths and improving entrances. Further development in 2011/12 will include the replacement of lodge roof, commencement on the new children's play area and the development of the community building. The project should be finished by March 2013.

- £2m additional investment into the road network has been made, following the severe winter.

- The upgrade of Ashburner Street Market has begun and will be completed by May 2011, with a package of short, medium and longer term improvements being developed in light of the bus station re-location.

- Bolton One is on track for opening in Spring 2012 at a cost of £33m. This is a partnership arrangement with Bolton NHS and Bolton University which will provide a new town centre swimming pool, a new town centre Urgent Care / Diagnostic Treatment Centre / a Pharmacy well located to serve the student and wider population, and also provide teaching / research facilities for Sports Science. In addition, a new College costing £90m was opened in September 2010.

- External investment in the town includes a new £4m town centre hotel which is due to open in October 2011; work is underway on a new £3m Exhibition Centre in Merchants Quarter, Little Bolton Townscape Heritage Initiative has been completed, and a new Tesco Development is underway in Farnworth due for completion in Autumn 2011.

- The Council has continued to develop 2 new Academy schools at Essa and St Catherine's and Firwood Special School, at a capital cost of £55m. Essa will be occupied from October 2011, and St Catherine's and Firwood from Easter 2012.

- A revitalised and renovated Social History Gallery was opened in October 2010, drawing on Heritage Lottery Funding, to modernise the area and transform the visitor experience. Information technology has been used to great advantage to minimise staffing presence. The Lecture Theatre in the Central Library building has also been refurbished and is available for hire.

## 3. Format of the Accounts

The Code of Practice on Local Authority Accounting in the UK 2010/11, 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. This is the case in 2010/11 when International Standards are first adopted.

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. The recommended order is a change from previous practice and the layout of the statements are different from those in previous years.

Other changes include:

- All employee benefits are accounted for as they are earned by the employee, this requires accruals for items such as holiday pay.

- Grants and contributions for capital purposes are recognised as income immediately (unless there are conditions), rather than being deferred and matched to expenditure.

- For Property, Plant and Equipment (Fixed Assets), there is a greater emphasis on component accounting; impairments are taken initially to the Revaluation Reserve rather than Income & Expenditure – like revaluation losses; there is a new class of assets, called ‘assets held for sale’.

- Leases are classified as either finance leases or operating leases, with different treatments on the balance sheet and in the income and expenditure account, according to whether the lease is effectively a form of financing, or only a means to obtain a short term use of an asset.

## 4. Movement from Original Budget to Outturn

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

| Service | Controllable Budget £000s | Outturn £000s | Inter-Service transfers* £000s | Other Variance £000s | Comment |
|---|---|---|---|---|---|
| Children's Services | 36,694 | 35,834 | - 860 | | |
| Adult Services | 64,818 | 63,134 | - 984 | -700 | Removal of the 'Free personal care' budget |
| Environmental Services | 25,458 | 26,198 | +280 | +460 | Winter Gritting |
| Housing | 3,343 | 3,195 | - 148 | | |
| Development & Regeneration | 3,547 | 4,213 | +666 | | |
| Central Departments | 32,144 | 30,777 | -1,777 | +410 | Income Losses |
| Financial Arrangements including Precepts and Car Parking | 62,640 | 65,485 | +2,823 | +22 | Capital Finance Savings, Additional Airport Dividend, One Off VAT saving, offset by provision for School Meals Initiative 2011/12, and underwriting of 2011/2012 VFM options |
| **Total** | **228,644** | **228,836** | **0** | **+192** | |

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

## 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 reduced by £0.35m. The movement primarily consists of the use of a Healthy Communities grant to fund the £1 school meal promotion in primary schools, a transfer of monies to fund a 2% corporate efficiency target and the planned use of grant allocations brought forward from previous years.

Children's Services earmarked reserves including schools have increased by £8.6m, but £6.9m of this relates to technical accounting changes under International Financial Reporting Standards. The real increase in reserves of £1.7m represents the setting aside of monies for earmarked purposes and the creation of a reserve (£0.6m) to fund the impact of early release of teachers' pensions arising from the severance scheme.

Central Departments' earmarked reserves have increased by £3.5m in the year. The increase represents the effect of planned repayments of deficit business cases and monies carried forward for specific IT initiatives, property rationalisation, and balances arising from under-spends on ABG funded projects, which will be used to fund continuing schemes in 2011/2012. A significant part of the increase in reserves has been generated from early delivery of VFM savings.

Environmental Services earmarked reserves have increased by £1.3m in the year. This reflects the planned repayment of previous deficits and the carry forward of resources to meet commitments in future years. It is expected that the general reserve deficit will be repaid by 2012/2013.

Development and Regeneration earmarked reserves increased by £1.5m in the year as a result of transferring the Central St balance to the centre, repaying reserves with a deficit balance, and creating a number of specific reserves to cover future activities. It is expected that the deficits will be repaid by the end of 2012/2013.

General Fund Housing earmarked reserves have increased by £0.3m in the year as a result of higher than anticipated grant income.

## 6. Capital Expenditure

Outturn for the year by service was:

| **Service** | **Outturn £000** |
|---|---:|
| Children's Services | 42,162 |
| Adult & Community Services | 2,047 |
| Environmental Services | 14,101 |
| Development & Regeneration | 6,032 |
| Central Departments | 5,214 |
| Capitalisation – Equal Pay | 3,132 |
| Housing General Fund | 4,899 |
| HRA | 19,609 |
| **Total Expenditure** | **97,196** |

| **FINANCING** | **£000** |
|---|---:|
| Borrowing | 26,594 |
| Government Grants | 52,738 |
| Capital receipts (incl. Earmarked) | 8,013 |
| External Contributions | 117 |
| Revenue | 9,734 |
| **Total Funding** | **97,196** |

In the year £2,256,000 General Fund capital receipts had been generated against the annual target of £2,000,000.

## 7. Balances

## General Fund Transactions in the Year

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 Balances

When the 2010/11 Budget was set anticipated General Fund Balances were anticipated to be £7 million. During the year it has already been reported that there were savings on financing costs and a VAT refund, which amounted to £3.4m. The Executive on 24 January 2011 requested that £2m be set aside to underpin the 2011/2012 savings options, and £1m be set aside to cover the costs of subsidising school meals in 2011/2012. These have been put into revenue reserves. Other savings made at the centre have been used to create reserves to cover the one off costs of staffing changes, anticipated future costs of the BSF initiative, additional Waste Disposal costs, to provide for the financing of the Harricroft farm bridge scheme, and to equalize future Car Parking costs.

The resulting General Fund Balances situation can be summarised as follows

| | **Original Budget £000s** | **Outturn £000s** | **Change £000s** |
|---|---|---|---|
| Opening Balance | 7,000 | 7,392 | +392 |
| Change on General Fund | 0 | -188 | -188 |
| Available balances at 31 March 2011 | 7,000 | 7,204 | +204 |

At 31 March 2011 the General Fund Balance stood at £7.204m. This is available to protect the Council against unexpected demands.

Stephen M. Arnfield
Director of Corporate Resources
30 June 2011

## Movement in Reserves Statement (for years ending 31 March 2010 and 2011)

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.

| | 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 2009** | **(7,715)** | **(46,506)** | **(3,336)** | **(56)** | **(7,971)** | **(2,713)** | **(68,297)** | **(593,935)** | **(662,232)** |
| **Movement in reserves during 2009/10:** | | | | | | | | | |
| (Surplus)/deficit on provision of services | 4,918 | | | | | | 4,918 | 0 | 4,918 |
| Other Comprehensive Income and Expenditure: | | | | | | | | | |
| Revaluation Gains | | | | | | | 0 | (8,010) | (8,010) |
| Impairment losses (chargeable to revaluation reserve) | | | | | | | 0 | 359 | 359 |
| Movement in pensions reserve | | | | | | | 0 | 257,100 | 257,100 |
| **Total Comprehensive Income and Expenditure** | **4,918** | **0** | **0** | **0** | **0** | **0** | **4,918** | **249,449** | **254,367** |
| **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) | (19,449) | | | | | | (19,449) | 32,728 | 13,279 |

| | 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 |
| Excess of depreciation charged to HRA services over MRA element of housing subsidy | (1,236) | | | | | | (1,236) | 1,236 | 0 |
| Impairment/revaluation losses (charged to I&E) | (23,327) | | | | | | (23,327) | 23,341 | 14 |
| Movement in market value of investment property | 1,225 | | | | | | 1,225 | (1,225) | 0 |
| Capital grants and contributions | 24,091 | | | | | (2,090) | 22,001 | (22,000) | 1 |
| Revenue expenditure funded by capital under statute | (749) | | | | 290 | 607 | 148 | 749 | 897 |
| Profit/loss on sale of non-current assets | (7,957) | | | | (3,484) | | (11,441) | 11,184 | (257) |
| Net retirement benefits per IAS 19 (FRS17) | (29,400) | | | | | | (29,400) | 29,400 | 0 |
| Difference in statutory debits/credits and amounts recognised as income and expenditure in the Financial Statement e.g. Soft Loans | (4) | | | | | | (4) | 4 | 0 |
| Gain/loss on revaluation of available for sale financial instruments | | | | | | | 0 | (56) | (56) |
| 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 | 750 | | | | | | 750 | (750) | 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) | 10,324 | | | | | | 10,324 | (10,458) | (134) |
| Statutory Repayment of Debt (Finance Lease Liabilities) | | | | | | | 0 | (312) | (312) |
| Statutory Repayment of Debt (PFI) | | | | | | | 0 | (262) | (262) |
| Voluntary Provision above MRP | 707 | | | | | | 707 | 0 | 707 |
| HRA capital receipts to housing central pool | (1,050) | | | | 1,050 | | 0 | 0 | 0 |
| Employers contributions to pensions schemes | 24,400 | | | | | | 24,400 | (24,400) | 0 |
| Revenue contributions to finance capital spend | 3,450 | | | | | | 3,450 | (16,727) | (13,277) |

| | 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 | | | | | 5,024 | | 5,024 | (5,024) | 0 |
| Transferred debt repayment | | | | | | | 0 | 84 | 84 |
| **Total adjustments** | **(18,225)** | **0** | **0** | **0** | **2,880** | **(1,483)** | **(16,828)** | **17,512** | **684** |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | **(13,307)** | **0** | **0** | **0** | **2,880** | **(1,483)** | **(11,910)** | **266,961** | **255,051** |
| **Transfers to/from Earmarked Reserves ( Note 7 ):** | | | | | | | | | |
| All other movements in reserves | 12,579 | (14,000) | (3,155) | (129) | 0 | 42 | (4,663) | 6,810 | 2,147 |
| Compensated absences | 1,051 | 0 | 0 | 0 | 0 | 0 | 1,051 | (1,051) | 0 |
| **Total earmarked reserve movements** | **13,630** | **(14,000)** | **(3,155)** | **(129)** | **0** | **42** | **(3,612)** | **5,759** | **2,147** |
| **Increase/Decrease movement in the year** | **323** | **(14,000)** | **(3,155)** | **(129)** | **2,880** | **(1,441)** | **(15,522)** | **272,720** | **257,198** |
| **Balance at 31 March 2010 carried forward** | **(7,392)** | **(60,506)** | **(6,491)** | **(185)** | **(5,091)** | **(4,154)** | **(83,819)** | **(321,215)** | **(405,034)** |

| | 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)** | **(321,215)** | **(405,034)** |
| (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 |
| 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 |

| | 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 |
| Difference in statutory debits/credits and amounts recognised as income and expenditure in the Financial Statement e.g. Soft Loans | | | | | | | 0 | 0 | 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 |
| Voluntary Provision above MRP | | | | | | | 0 | 0 | 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 |
| **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 | | | | | | | 0 | 1 | 1 |

| | 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 |
| **Total adjustments** | **(555,535)** | **0** | **0** | **0** | **(2,011)** | **(4,762)** | **(562,308)** | **276,907** | **(285,401)** |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | **(31,206)** | **0** | **0** | **0** | **(2,011)** | **(4,762)** | **(37,979)** | **79,402** | **41,423** |
| **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** | **188** | **(30,228)** | **(1,297)** | **(177)** | **(2,083)** | **(4,762)** | **(38,359)** | **79,782** | **41,423** |
| **Balance at 31 March 2011 carried forward** | **(7,204)** | **(90,734)** | **(7,788)** | **(362)** | **(7,174)** | **(8,916)** | **(122,178)** | **(241,433)** | **(363,611)** |

## 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 2010 | | | | Note | 31 March 2011 | | |
|---|---|---|---|---|---|---|---|
| £000s | £000s | £000s | | | £000s | £000s | £000s |
| **Expenditure** | **Income** | **Net** | | | **Expenditure** | **Income** | **Net** |
| 12,240 | 9,138 | 3,102 | Central services to the public | | 9,845 | 5,756 | 4,089 |
| 23,867 | 7,356 | 16,511 | Cultural services | | 22,729 | 6,799 | 15,930 |
| 43,549 | 5,249 | 38,300 | Environmental and planning services | | 54,797 | 8,094 | 46,703 |
| 259,021 | 229,273 | 29,748 | Education and children's services | | 266,617 | 239,182 | 27,435 |
| 34,857 | 8,581 | 26,276 | Children's Social Care | | 37,191 | 8,546 | 28,645 |
| 41,696 | 6,254 | 35,442 | Highways and transport services | | 49,321 | 8,717 | 40,604 |
| 60,706 | 60,553 | 153 | Local authority housing (HRA) | | 285,816 | 55,635 | 230,181 |
| 122,828 | 116,488 | 6,340 | Other housing services | | 130,755 | 120,515 | 10,240 |
| 93,663 | 28,573 | 65,090 | Adult social care | | 102,538 | 28,235 | 74,303 |
| 5,963 | 1,224 | 4,739 | Corporate and democratic core | | 6,282 | 1,046 | 5,236 |
| 49,213 | 32,982 | 16,231 | Non distributed costs | | 39,657 | 32,392 | 7,265 |
| 0 | 0 | 0 | Exceptional item * | | (97,100) | 0 | (97,100) |
| **747,603** | **505,671** | **241,932** | **Cost of Services** | | **908,448** | **514,917** | **393,531** |
| | | | **Other Operating Expenditure** | | | | |
| | | (1,012) | Loss on disposal of property, plant and equipment | | | | 399,150 |
| | | 8,971 | Disposal of Academy assets | | | | 3,427 |
| | | 1,050 | Housing Capital Receipts Pool | | | | 2,234 |
| | | 374 | Parish Precepts | | | | 374 |
| | | | **Financing and Investment Income** | | | | |
| | | (454) | Movement on investment property | | | | 2,303 |
| | | 1,012 | Trading Account (Surplus)/Deficit | | | | 143 |
| | | 16,361 | Interest Payable | | | | 16,269 |
| | | (3,211) | Interest and Investment Income | | | | (3,478) |

| 31 March 2010 | | | | | 31 March 2011 | | |
|---|---|---|---|---|---|---|---|
| £000s | £000s | £000s | | Note | £000s | £000s | £000s |
| **Expenditure** | **Income** | **Net** | | | **Expenditure** | **Income** | **Net** |
| | | 14,700 | Pension interest cost and return on assets | | | | 10,600 |
| | | | **Taxation and Non-specific grant income** | | | | |
| | | (24,098) | Capital grants | **31** | | | (40,224) |
| | | (98,853) | Demand on Collection Fund | | | | (100,677) |
| | | (750) | Collection Fund adjustment account | | | | (1,000) |
| | | (50,496) | General Government Grants | **31** | | | (46,911) |
| | | (100,608) | Non-Domestic Rates | | | | (111,412) |
| | | **4,918** | **(Surplus) or Deficit for the year** | | | | **524,329** |
| | | (7,651) | Surplus or deficit on revaluation of property, plant and equipment | | | | (9,905) |
| | | 257,100 | Actuarial gains/losses on pension assets/liabilities | **39** | | | (187,600) |
| | | **254,367** | **Total Comprehensive Income and Expenditure** | | | | **326,824** |

***** 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.

## 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 2009 £000s | 31 March 2010 £000s | | Note | 31 March 2011 £000s |
|---:|---:|---|:---:|---:|
| | | **Property, Plant & Equipment** | | |
| 640,188 | 633,664 | - Council Dwellings | **8** | 0 |
| 419,657 | 421,489 | - Other land and buildings | **8** | 410,480 |
| 26,078 | 25,823 | - Vehicles, plant, furniture & equipment | **8** | 23,069 |
| 87,840 | 93,610 | - Infrastructure | **8** | 99,845 |
| 7,034 | 7,892 | - Community assets | **8** | 9,508 |
| 821 | 3,728 | - Assets under construction | **8** | 27,548 |
| **1,181,618** | **1,186,206** | | | **570,450** |
| | | **Investment Property** | | |
| 58,763 | 58,669 | - Investment property | **9** | 60,859 |
| | | **Intangible Assets** | | |
| 1,803 | 1,796 | - Software | **10** | 1,454 |
| 19,739 | 14,867 | Long Term Investments | **11** | 11,605 |
| 10,795 | 10,770 | Long Term Debtors | **11** | 10,571 |
| **1,272,718** | **1,272,308** | **Long Term Assets** | | **654,939** |
| 17,000 | 26,432 | Short Term Investments | | 53,752 |
| 797 | 602 | Inventories | **12** | 814 |
| 37,813 | 38,546 | Short Term Debtors | **14** | 39,881 |
| 3,389 | 4,650 | Prepayments | | 3,995 |
| 4,398 | 10,447 | Cash and Cash Equivalents | **15** | 4,279 |
| 1,351 | 2,031 | Assets held for sale (less than 1 year) | | 955 |
| **64,748** | **82,708** | **Current Assets** | | **103,676** |
| (58,338) | (114,135) | Short Term Borrowing | **11** | (5,774) |
| (62,758) | (64,988) | Short Term Creditors | **16** | (83,212) |
| (5,038) | (8,861) | Provisions for current liabilities | **17** | (3,341) |
| **(126,134)** | **(187,984)** | **Current Liabilities** | | **(92,327)** |

| 1 April 2009 £000s | 31 March 2010 £000s | | Note | 31 March 2011 £000s |
|---|---|---|---|---|
| (11,545) | (13,374) | Provisions for long term liabilities | **17** | (10,611) |
| (328,653) | (260,583) | Long Term Borrowing | **11** | (72,996) |
| (23,765) | (24,299) | Other Long Term Liabilities | **11** | (23,555) |
| (174,600) | (436,700) | Net Pensions Liability | **39** | (167,400) |
| (10,538) | (27,042) | Capital Grants Receipts in Advance | | (28,115) |
| **(549,101)** | **(761,998)** | **Long Term Liabilities** | | **(302,677)** |
| **662,231** | **405,034** | **Net Assets** | | **363,611** |
| | | **Represented by:** | | |
| | | **Usable Reserves** | | |
| 7,715 | 7,392 | - General Fund Balance | **7** | 7,204 |
| 46,562 | 60,691 | - Earmarked General Fund Reserves | **7** | 91,096 |
| 3,336 | 6,491 | - Housing Revenue Account | | 7,788 |
| 7,971 | 5,091 | - Capital Receipts Reserve | | 7,174 |
| 2,712 | 4,154 | - Capital Grants Received in Advance | | 8,916 |
| **68,296** | **83,819** | | | **122,178** |
| | | **Unusable Reserves** | **19** | |
| 65,875 | 68,786 | - Revaluation reserve | | 77,195 |
| 219 | 275 | - Available-for-Sale Financial Instruments Reserve | | 294 |
| (174,600) | (436,700) | - Pensions Reserve | | (167,400) |
| 132 | 130 | - Deferred capital receipts | | 128 |
| 707,165 | 691,783 | - Capital Adjustment Account | | 334,350 |
| 9 | 5 | - Financial Instruments Adjustment Account | | 0 |
| 0 | 750 | - Collection Fund Adjustment Account | | 1,000 |
| (4,865) | (3,814) | - Short-term Accumulating Compensated Absences Account | | (4,134) |
| **593,935** | **321,215** | | | **241,433** |
| **662,231** | **405,034** | **Total Reserves** | | **363,611** |

## 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 2010 £000s** | | **Note** | **31 March 2011 £000s** |
|---|---|---|---|
| 4,918 | Net (surplus) or deficit on the provision of services | | 524,329 |
| 114,543 | Adjustments to net (surplus) or deficit on the provision of services for non-cash movements | | (403,507) |
| (28,408) | Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities | | (25,837) |
| 91,053 | Net cash flows from Operating Activities | **20** | 94,985 |
| (71,693) | Investing Activities | **21** | (92,052) |
| (13,311) | Financing Activities | **22** | (9,101) |
| 6,049 | Net increase or decrease in cash and cash equivalents | | (6,168) |
| 4,398 | Cash and cash equivalents at the beginning of the reporting period | | 10,447 |
| **10,447** | **Cash and cash equivalents at the end of the reporting period** | **15** | **4,279** |

# Notes to the Core Financial Statements

## Contents

# 1. Accounting Policies

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 –and the *Best Value Accounting Code of Practice 2010/11*, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed 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 stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- 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 Authority's cash management.

### Provisions

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

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

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

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

**Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the authority 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 authority. 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 authority 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 authority.

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

**Government Grants and Contributions**

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

- the Authority 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.

**Area Based Grant**

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

**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 Authority. 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 Authority 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 Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority 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 Authority 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 Local Government Pension Scheme**

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

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

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

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

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

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

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

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

**Discretionary Benefits**

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

## VAT

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

## Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority’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 BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

## Intangible Fixed Assets

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority 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.

## 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.

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

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

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

Net current replacement cost is assessed as:

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

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

**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 revalued 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 (ie 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. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority’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.

**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:

- Council dwellings – 45 years, there will be none of these in 2011/12
- Buildings – 40 years
- vehicles, plant and equipment – 5 years

- infrastructure – 25 years.

From 1 April 2010, when an item of Property, Plant and Equipment valued at greater than £500,000 is either revalued or acquired and the asset has major components whose cost is greater than £100,000, the components are depreciated separately over the relevant life of the component.  This separation of components is due to IFRS.

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.

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

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

**Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of 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.

**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 revalued 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 Authority 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 authority at the end of the lease period).

The Authority 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 Authority as Lessor**

**Finance Leases**

Where the Authority 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 Authority'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 (ie 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 (England and Wales).

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 Authority 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.

**Financial Instruments**

**Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. 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 Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to 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 Authority 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 derecognition 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 Authority.

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 derecognition 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).

**Inventories and Work in Progress**

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

**Private Finance Initiative (PFI)**

PFI 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 Authority 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 Authority at the end of the contracts for no additional charge, the Authority 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 revalued 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)

**Collection Fund**

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR). The key features relevant to accounting for Council Tax in the core financial statements are:

- In its capacity as a billing authority the Council acts as agent; it collects and distributes Council Tax income on behalf of the major preceptors and itself

- While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors

- Until 2008/09 the SORP required the Council Tax income included in the Income and Expenditure Account to be that which under regulation was required to be transferred from the Collection Fund to the General Fund of the billing authority

- From the year commencing 1 April 2009 the Council Tax income included in the 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 2009/10 Accounts

The Statement of Accounts for 2010/11 is the first to be prepared under International Financial Reporting Standards (IFRS). The adoption of these standards required the Authority to reproduce its primary statements as at 1 April 2009. This has resulted in some amounts in the financial statements being different from their equivalent figures in the 2009/10 accounts. An explanation of these differences is provided in the table below:

| Statement | Line | Published 2010 £000s | Restated 2011 £000s | Explanation |
|---|---|---|---|---|
| Balance Sheet | Fixed Assets | 1,249,538 | 1,246,671 | IFRS Adjustment-New Category-assets available for sale and lease adjustments |
| Balance Sheet | Current Assets-Debtors | 38,361 | 37,757 | IFRS Adjustment-Revenue Grants |
| Balance Sheet | Current Assets-Assets Available for sale | 0 | 2,031 | IFRS Adjustment-New Category-assets available for sale |
| Balance Sheet | Current Liabilities-Creditors | (90,154) | (61,174) | IFRS Adjustment-Revenue Grants |
| Balance Sheet | Current Liabilities-Provision | 0 | (3,814) | IFRS Adjustment-Employee Benefits |
| Balance Sheet | Long Term Assets-Long Term Debtors | 10,640 | 10,770 | IFRS Adjustment-Leasing |
| Balance Sheet | Long Term Liabilities-Capital Grants Deferred | (105,263) | 0 | IFRS Adjustment-Capital Grants |
| Balance Sheet | Long Term Liabilities-Capital grants receipts in advance | 0 | (27,042) | IFRS Adjustment-Capital Grants |
| Balance Sheet | Long Term Liabilities-Capital Grants Unapplied | (3,499) | 0 | IFRS Adjustment-Capital Grants |
| Balance Sheet | Long Term Liabilities-Deferred Liabilities | (13,005) | 0 | IFRS Adjustment-Deferred Liabilities now under Other Long Term Liabilities |
| Balance Sheet | Long Term Liabilities-Liability Related to defined benefit pension scheme | (436,700) | 0 | IFRS Adjustment-Pension Liabilities now under Other Long Term Liabilities |
| Balance Sheet | Long Term Liabilities-Long Term Borrowing | (269,838) | (260,583) | IFRS Adjustment-Internal Leasing now under Other Long Term Liabilities |
| Balance Sheet | Long Term Liabilities-Other Long term Liabilities | 0 | (460,999) | IFRS Adjustment-New Category |
| Balance Sheet | Usable Reserves-Capital Grants Received in Advance | 0 | (4,154) | IFRS Adjustment-Capital Grants |

| Statement | Line | Published 2010 £000s | Restated 2011 £000s | Explanation |
|---|---|---|---|---|
| Balance Sheet | Usable Reserves-General Fund, HRA and Insurance | (73,051) | (74,574) | IFRS Adjustment-Revenue Grants |
| Balance Sheet | Unusable Reserves-Accumulated Absences Reserve | 0 | 3,814 | IFRS Adjustment-Employee Benefits |
| Balance Sheet | Unusable Reserves-Capital Adjustment Account | (584,675) | (691,783) | IFRS Adjustment-Leases, Investment Property and Capital Grants |
| Balance Sheet | Unusable Reserves-Deferred Capital Receipts | 0 | (130) | IFRS Adjustment-Capital Grants |
| Balance Sheet | Unusable Reserves-Revaluation Reserve | (74,350) | (68,786) | IFRS Adjustment-Investment Property |
| Income & Expenditure | All Service Lines | 239,041 | 241,932 | IFRS Adjustments--Various IFRS Requirements |
| Income & Expenditure | Interest and Investment Income | (3,199) | (3,211) | IFRS Adjustment-Income |
| Income & Expenditure | Trading Account Surplus/Deficit | 962 | 1,012 | IFRS Adjustment-New category |
| Income & Expenditure | Interest Payable | 16,263 | 16,261 | IFRS Adjustment-Interest |
| Income & Expenditure | Net Movement on Investment Property | 0 | 454 | IFRS Adjustment-Various IFRS Requirements |
| Income & Expenditure | Capital Grants | 0 | (24,098) | IFRS Adjustment-Capital Grants |
| Income & Expenditure | Collection Fund | 0 | (750) | Collection Fund Adjustment |
| Income & Expenditure | Surplus/Deficit on revaluation of PPE | (8,877) | (7,652) | IFRS Adjustment-Investment Properties |
| Statement of Movement on General Fund | Impairment | (37,101) | (23,327) | IFRS Adjustment + audit adjustment |
| Statement of Movement on General Fund | Depreciation Adjustment | (19,748) | (20,143) | IFRS Adjustment |
| Statement of Movement on General Fund | MRP | 10,012 | 10,324 | IFRS Adjustment |
| Statement of Movement on General Fund | Reserves | 9,019 | 9,424 | IFRS Adjustment |
| Statement of Movement on General Fund | Government grants Deferred | 4,428 | 108 | IFRS Adjustment |

## 3. Accounting Standards Issued, Not Adopted

The authority owns a number of asserts which in future should be accounted for under FRS 30 Heritage assets, which is applicable for the 2011/2012 financial year. These assets include historic buildings, civic regalia, museum collections, statues and war memorials.

At present the authority values most of these assets at a nominal value or historic cost. Some assets are not currently on the balance sheet. To satisfy the requirements of the 2011/12 code, the basis of valuation will be reviewed. At present the value of this exercise is not known.

## 4. Material Items of Income and Expense

As mentioned in the foreword, the Council transferred its Housing stock to Bolton at Home Ltd. as a Registered Social Landlord on 28 March 2011. A total of 18,041 properties were transferred and the debt associated with these properties of over £285m was repaid by Central Government on the 31 March 2011. This Large Scale Voluntary Transfer of Council Houses (LSVT) has had a major impact on the 4 core statements to the accounts. The following list reflects the significant transactions due to the impact of the LSVT.

| Statement | Line | £000s | Explanation |
|---|---|---|---|
| Income & Expenditure | Other income | (446) | Write out of PWLB Discounts & premium on repaid borrowing |
| Balance Sheet | Council Dwellings | (400,708) | Disposal of Dwellings |
| Balance Sheet | Other Land & Buildings | (4,026) | Disposal of Other Properties (HRA) |
| Balance Sheet | Vehicles. Plant and Equipment | (272) | Disposal of Equipment (HRA) |
| Balance Sheet | Other Land & Buildings | (1,626) | Disposal of Other Properties (GRF) |
| Balance Sheet | Vehicles. Plant and Equipment | (1,491) | Disposal of Equipment (GRF) |
| Balance Sheet | Depreciation – Other Land & Buildings | 186 | Disposal of Other Properties (GRF) |
| Balance Sheet | Long Term Borrowing - PWLB | 284,949 | Repayment of external borrowing |
| Balance Sheet | Capital Adjustment Account | (284,949) | Repayment of external borrowing |
| Balance Sheet | Capital Adjustment Account | 422,111 | Write out following Asset Disposal |
| Balance Sheet | PWLB Discounts | 790 | Write out of PWLB Discounts & premium on repaid borrowing |
| Balance Sheet | PWLB Premiums | (343) | Write out of PWLB Discounts & premium on repaid borrowing |

The Council is obliged to maintain the Housing Revenue Account until an application to close the HRA is approved by the Secretary of State. This can only happen after the Office of the Deputy Prime Minister (ODPM) has received and agreed the

Authority's audited final claim for HRA subsidy for the last financial year in which the Authority held dwellings within the HRA. Therefore, the HRA will be closed during 2011/12 financial year subject to obtaining approval.

## 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 2010/11.

## 7. Transfers to/from Earmarked Reserves

| | 1 April 2009 £000s | Receipts £000s | Payments £000s | 1 April 2010 £000s | Receipts £000s | Payments £000s | 31 March 2011 £000s | Note |
|---|---|---|---|---|---|---|---|---|
| **Earmarked Statutory Reserves** | | | | | | | | |
| Schools - Delegated Budgets | 5,696 | 546 | (162) | 6,080 | | (827) | 5,253 | 1 |
| Trading Accounts | (65) | 73 | (2) | 6 | 136 | | 142 | 2 |
| Major Repairs Reserve | 0 | 15,090 | (15,090) | 0 | 8,250 | (8,250) | 0 | 3 |
| HRA Reserves | 56 | 129 | 0 | 185 | 177 | 0 | 362 | 4 |
| **Total Earmarked Statutory Reserves** | **5,687** | **15,838** | **(15,254)** | **6,271** | **8,563** | **(9,077)** | **5,757** | |
| | | | | | | | | |
| **Earmarked Policy Reserves** | | | | | | | | |
| Insurance | 7,249 | 173 | (391) | 7,031 | 5,141 | (697) | 11,475 | 5 |
| Other Central Reserves | 28,234 | 36,925 | (24,857) | 40,302 | 37,246 | (16,361) | 61,187 | 6 |
| Children’s Services | 5,934 | 12,843 | (12,921) | 5,856 | 14,003 | (10,565) | 9,294 | 7 |
| Environmental Services | (2,487) | 6,036 | (5,072) | (1,523) | 4,933 | (3,997) | (587) | 8 |
| Development and Regeneration | (655) | 1,427 | (1,809) | (1,037) | 2,806 | (1,331) | 438 | 9 |
| Housing G.R.F. | 941 | 2,608 | (1,549) | 2,000 | 783 | (550) | 2,233 | 10 |
| Adult Services | 1,606 | 6,007 | (6,077) | 1536 | 14,576 | (15,067) | 1,045 | 11 |
| Markets | (364) | 0 | (20) | (384) | 0 | 384 | 0 | 12 |
| Business Improvement District | 8 | 0 | (15) | (7) | | (7) | (14) | 13 |
| Special Funding | 409 | 242 | (5) | 646 | 108 | (486) | 268 | 14 |
| **Total Earmarked Policy Reserves** | **40,875** | **66,261** | **(52,716)** | **54,420** | **79,596** | **(48,677)** | **85,339** | |
| | | | | | | | | |
| **Total Earmarked General Fund Reserves** | **46,562** | **82,099** | **(67,970)** | **60,691** | **88,159** | **(57,754)** | **91,096** | |

| | 1 April 2009<br>£000s | Receipts<br>£000s | Payments<br>£000s | 1 April 2010<br>£000s | Receipts<br>£000s | Payments<br>£000s | 31 March 2011<br>£000s | Note |
|---|---|---|---|---|---|---|---|---|
| General Fund Balance | 7,715 | 0 | (323) | 7,392 | 0 | (188) | 7,204 | |
| **Total Reserves & Balances** | **54,277** | **82,099** | **(68,293)** | **68,083** | **88,160** | **(57,942)** | **98,300** | |

**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.

4. **HRA reserves** These relate partly 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

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** An analysis of these is as follows: - £18.8 million has been provided for one off costs of VFM initiatives, including severance and redundancy costs over the following years. A total of £16.4 million has been set aside for known future initiatives/requirements. £9.7 million for capital financing requirements has been set aside. A total of £5 million will be needed to smooth the future costs of Waste Disposal and the Climate Change levy. £4.5 million grants received in advance is earmarked for specific projects. £3.9 million is needed for Sinking Funds and PFI funding requirements. £2.1 million has been set aside for rebuilding schools in the event of a major fire. Finally, the central departments have taken £840k general underspends to reserves, in accordance with financial regulations.

7. **Children's Services reserves** £5.75 million of this relates to funding for slippage on capital schemes, £1.2 million is held for future IT and musical instruments replacements, £1 million relates to in year surpluses or deficits carried forward in relation to Children Services LA activities, Early years and the Safeguarding Board. £585k relates to future commitments for Teachers' Pension Payments. £437k 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 £168k 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 £144k are held to cover the residual costs of these two initiatives.

8. **Environmental Services reserves** include a departmental accumulated deficit of £2.1m, offset by the Highways Works reserve of £548k, to fund identified schemes brought forward from previous years, £338k in the Graves In Perpetuity reserve which is funded from previous contributions to contribute towards

maintenance and upkeep of cemeteries, a CCTV reserve of £130k to fund future replacement of equipment, a Waste campaign reserve of £100k to promote uptake of recycling measures, and £400k 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 for the funding of Bolton Central Partnership to support promotion of town centre businesses, a reserve for assisting the development of Employment Skills, the Building Control trading surplus reserve to smooth year to year activity levels, the Marketing Reserve to promote new initiatives with Bolton MBC area, a General reserve containing accumulated deficit/surplus on departmental annual revenue budget and other 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 (£179k).

11. **Adult Services reserves** comprise grants received in advance for projects not yet completed, (167k), reserves set aside for known requirements (£566k) and general accumulated net surpluses on the revenue budget (£309k).

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 represents 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 surplus will be used in a future year.

14. **Special Funding reserves** these comprise unspent ABG, Public Service Agreement (PSA), Lottery and SRB grant funds received in advance. These monies will be spent in future years.

## 8. Property, Plant and Equipment – Movement in the year 2010/11

| | 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 2010 | 647,622 | 444,720 | 45,309 | 108,469 | 7,907 | 3,728 | 1,257,755 | 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** | **9,523** | **27,548** | **635,397** | **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 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)** |
| | | | | | | | | |
| **Net Book Value** | | | | | | | | |
| At 31 March 2011 | 0 | 410,480 | 23,069 | 99,845 | 9,508 | 27,548 | 570,450 | 5,735 |
| At 31 March 2010 | 633,664 | 421,489 | 25,823 | 93,610 | 7,892 | 3,728 | 1,186,206 | 8,132 |

## Property, Plant and Equipment – Comparative movements in 2009/10

| | 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 2009 | 653,949 | 437,062 | 41,245 | 98,766 | 7,034 | 821 | 1,238,877 | 10,700 |
| Additions | 20,731 | 24,196 | 6,180 | 9,703 | 919 | 3,636 | 65,365 | 0 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 0 | 8,009 | 0 | 0 | 0 | 0 | 8,009 | 0 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (11,901) | (10,422) | 0 | 0 | 0 | 0 | (22,323) | 0 |
| Derecognition – disposals | (929) | (1,163) | 0 | 0 | 0 | 0 | (2,092) | 0 |
| Derecognition - other | 0 | (10,077) | (2,322) | 0 | 0 | 0 | (12,399) | 0 |
| Assets reclassified (to)/from Held for Sale | (481) | (350) | 0 | 0 | 0 | 0 | (831) | 0 |
| Other movements in cost or valuation | (13,747) | (2,535) | 206 | 0 | (46) | (729) | (16,851) | 0 |
| **At 31 March 2010** | **647,622** | **444,720** | **45,309** | **108,469** | **7,907** | **3,728** | **1,257,755** | **10,700** |

| | 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 2009 | (13,761) | (17,405) | (15,167) | (10,925) | 0 | 0 | (57,258) | (2,140) |
| Depreciation charge | (13,958) | (8,898) | (6,627) | (3,934) | (15) | 0 | (33,432) | (428) |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | 13,761 | 2,738 | 0 | 0 | 0 | 0 | 16,499 | 0 |
| Derecognition – disposals | | 30 | | | | | 30 | 0 |
| Other movements in depreciation and impairment | 0 | 304 | 2,308 | 0 | 0 | 0 | 2,612 | 0 |
| **At 31 March 2010** | **(13,958)** | **(23,231)** | **(19,486)** | **(14,859)** | **(15)** | **0** | **(71,549)** | **(2,568)** |

## Depreciation

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

- Council dwellings – 45 years
- 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

## Capital Commitments

At 31 March 2011, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12. The major commitments are:

| **Approved and Contracted Schemes** | **£000s** |
|---|---|
| **Development and Regeneration** | |
| Bolton One-Bolton Funco1 Ltd | 9,404 |
| D & R Capital | 155 |
| **Environmental Services** | |
| Highways Capital Programme | 244 |
| Non Highways Capital | 1,000 |
| **Children's Services** | |
| Building Maintenance Programme | 494 |
| Primary Capital Programme | 4,310 |
| 14-19 Diplomas SEN and disabilities | 4,581 |
| Kitchen and Dining Rooms TCF | 914 |
| Practical cooking spaces | 600 |
| ESSA Academy | 9,539 |
| St Catherine's Academy | 22,344 |
| **Total** | **53,585** |

| **Schemes Approved But Not Contracted** | **£000s** |
|---|---|
| **Adult Services** | |
| Slippage across Capital Programme | 2,670 |
| **Children's Services** | |
| Building Maintenance | 2,090 |
| Primary Capital Programme | 9,079 |
| Kearsley Academy | 11,000 |
| **Development and Regeneration** | |
| Capital Slippage | 1,251 |
| **Environmental Services** | |
| Highways Capital Slippage | 6,035 |
| Non Highways Capital Slippage | 924 |
| **Property Services** | |
| Accommodation Review | 1,000 |
| Manchester Road Demolition | 750 |
| Town Centres/Bolton Market | 2,500 |
| Asset Management Plan – urgent works | 2,345 |
| Area Property Review | 107 |
| Carbon Management Programme | 157 |
| Crescent House Accommodation | 348 |
| Glazing Risk assessment and surveys | 155 |
| Health and Safety Surveys | 315 |
| Health and Safety Surveys – voluntary organisations | 80 |
| Le Mans fire alarm system | 275 |
| **Total** | **41,081** |

## 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.

| | **2010/11 £000s** | **2009/10 £000s** |
|---|---|---|
| Rental income from investment property | 2,085 | 2,223 |
| Direct operating expenses arising from investment property | (1,507) | (1,539) |
| **Net gain/(loss)** | **578** | **684** |

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:

| | **2010/11 £000s** | **2009/10 £000s** |
|---|---|---|
| **Balance at start of the year** | 58,669 | 58,763 |
| Additions: | | |
| - purchases | 2,468 | |
| - subsequent expenditure | | 204 |
| Disposals | (658) | (185) |
| Net gains/losses from fair value adjustments | (2,303) | 615 |
| Other changes | 2,683 | (728) |
| **Balance at end of the year** | **60,859** | **58,669** |

## 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 2011 the net value of such assets amounted to £1.454m (£1.796m at 31 March 2010).

Accumulated depreciation as at 31 March 2011 is £1.8m (£1.322m at 31 March 2010)

## 11. Financial Instruments

### Categories of Financial Instruments

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

| | Long-term | | Current | |
|---|---|---|---|---|
| | **31 March 2011 £000s** | **31 March 2010 £000s** | **31 March 2011 £000s** | **31 March 2010 £000s** |
| **Investments** | | | | |
| Loans and receivables | | | | |
| Banks and other financial institutions (net of impairment) | 1,046 | 4,327 | 53,752 | 26,432 |
| Available-for-sale financial assets (JP Morgan Trust) | 317 | 298 | 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 |
| Financial assets at fair value through profit and loss | 0 | 0 | 0 | 0 |
| **Total Investments** | **11,605** | **14,867** | **53,752** | **26,432** |
| **Debtors** | | | | |
| Loans and receivables | | | | |
| Advances to Manchester Airport PLC | 8,972 | 8,972 | 0 | 0 |
| Mortgages | 10 | 11 | 5 | 9 |
| Tennis Arena Trust | 342 | 417 | 0 | 0 |
| Industrial Loans | 0 | 100 | 0 | 0 |
| Former Magistrates Authorities (10 Greater Manchester Districts) | 1,119 | 1,138 | 0 | 0 |
| Long term leasing | 128 | 132 | 0 | 0 |
| Financial assets carried at contract amounts | 0 | 0 | 39,876 | 38,537 |
| **Total Debtors** | **10,571** | **10,770** | **39,881** | **38,546** |

| | Long-term | | Current | |
|---|---|---|---|---|
| | 31 March 2011 | 31 March 2010 | 31 March 2011 | 31 March 2010 |
| | £000s | £000s | £000s | £000s |
| **Borrowings** | | | | |
| Financial liabilities at amortised cost - PWLB | 0 | 186,557 | 0 | 67,494 |
| Financial liabilities at amortised cost – Market Loans | 72,251 | 72,251 | 0 | 0 |
| Short-term borrowings | 0 | 0 | 5,774 | 46,641 |
| LOBO Interest Rate Equalisation | 745 | 762 | 0 | 0 |
| Premiums on debt redemption | 0 | (893) | 0 | 0 |
| Discounts on debt redemption | 0 | 1,906 | 0 | 0 |
| **Total Borrowings** | **72,996** | **260,583** | **5,774** | **114,135** |
| **Other Long Term Liabilities** | | | | |
| Private Finance Initiative (PFI) | 8,975 | 9,253 | 0 | 0 |
| Schools Leases | 0 | 1 | 0 | 0 |
| Finance Leases | 2,360 | 2,039 | 0 | 0 |
| Ex-GMC residual debt | 12,189 | 12,938 | 0 | 0 |
| Deferred liabilities | 31 | 68 | 0 | 0 |
| **Total Other Long Term Liabilities** | **23,555** | **24,299** | **0** | **0** |
| **Creditors** | | | | |
| Financial liabilities at amortised cost | 0 | 0 | 0 | 0 |
| Financial liabilities carried at contract amounts | 0 | 0 | 83,212 | 64,998 |
| **Total Creditors** | **0** | **0** | **83,212** | **64,998** |
| | | | | |

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 2010 indicated the company had net assets of £769.1m (£788.5m the previous year) and made a profit of £36.9m after taxation (£100.9m loss 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

| | 2010/11 | | | | | 2009/10 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **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 | 15,108 | 0 | 0 | 0 | 15,108 | 14,056 | 0 | 0 | 0 | 14,056 |
| Losses on derecognition | 0 | 2,158 | 0 | 0 | 2,158 | 0 | 722 | 0 | 0 | 722 |
| Reductions in fair value | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment losses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Fee expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total expense in Surplus or Deficit on the Provision of Services** | **15,108** | **2,158** | **0** | **0** | **17,266** | **14,056** | **722** | **0** | **0** | **14,778** |

| | 2010/11 | | | | | 2009/10 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **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 | 577 | 2 | 1,000 | 1,579 | 0 | 995 | 12 | 1,000 | 2,007 |
| Interest income accrued on impaired financial assets | 0 | 220 | 0 | 0 | 220 | 0 | 103 | 0 | 0 | 103 |
| Increases in fair value | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gains on derecognition | 0 | 1,139 | 0 | 0 | 1,139 | 0 | 162 | 0 | 0 | 162 |
| Fee income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total income in Surplus or Deficit on the Provision of Services** | **0** | **1,936** | **2** | **1,000** | **2,938** | **0** | **1,260** | **12** | **1,000** | **2,272** |

| | 2010/11 | | | | | 2009/10 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **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 | 19 | 0 | 19 | 0 | 0 | 56 | 0 | 56 |
| Losses on revaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Surplus/Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure** | **0** | **0** | **19** | **0** | **19** | **0** | **0** | **56** | **0** | **56** |
| **Net gain/(loss) for the year** | **(15,108)** | **(222)** | **21** | **1,000** | **(14,309)** | **(14,056)** | **538** | **68** | **1,000** | **(12,450)** |

## 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 2011 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 2011** | | **31 March 2010** | |
|---|---|---|---|---|
| | **Carrying amount £000s** | **Fair value £000s** | **Carrying amount £000s** | **Fair value £000s** |
| Financial Liabilities | | | | |
| PWLB | 0 | 0 | 255,066 | 279,548 |
| Market Loans | 72,996 | 78,834 | 73,012 | 76,674 |
| Trade Creditors | 83,212 | 83,212 | 64,998 | 64,998 |
| Bank Overdrawn and Short Term Borrowing | 10,095 | 10,095 | 55,179 | 55,179 |
| **Total Financial Liabilities** | **166,303** | **172,141** | **448,255** | **479,399** |

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 2011 | | 31 March 2010 | |
|---|---|---|---|---|
| | **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 | 52,305 | 52,305 | 38,560 | 38,560 |
| Money Market Loans More than One Year | 1,046 | 1,046 | 4,225 | 4,208 |
| Trade Debtors | 39,881 | 39,881 | 38,546 | 38,546 |
| **Total Loans and Receivables** | **102,204** | **102,204** | **90,303** | **90,286** |

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 | |
|---|---|---|
| | **2010/11 £000s** | **2009/10 £000s** |
| **Balance outstanding at start of year** | 602 | 797 |
| Purchases | 3,292 | 244 |
| Recognised as an expense in the year | (3,062) | (439) |
| Written off balances | (18) | 0 |
| Reversals of write-offs in previous years | 0 | 0 |
| **Balance outstanding at year end** | **814** | **602** |

## 13. Construction Contracts

At 31 March 2011 the Authority had a construction contract for Bolton One in progress 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 is being undertaken by the Council on their behalf. The value of work completed at 31 March 2011 was £3.619m (at 31 March 2010 was £789k), this was obtained from valuation certificates issued by the contractor and verified by an appointed independent tester. This amount will be recovered from the University on completion.

## 14. Debtors

| | 31 March 2011 £000s | 31 March 2010 £000s |
|---|---|---|
| Central government bodies | 19,656 | 26,439 |
| Other local authorities | 611 | 436 |
| NHS bodies | 10 | 1,050 |
| Public corporations | 16,139 | 10,923 |
| Other entities | 11,898 | 8,369 |
| **Sub total** | **48,314** | **47,217** |
| Less: Provision for Bad Debts | (8,433) | (8,671) |
| **Total** | **39,881** | **38,546** |

## 15. Cash and Cash Equivalents

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

| 31 March 2010 £000s | | 31 March 2011 £000s |
|---|---|---|
| | **Cash held by the Authority** | |
| 7,052 | Bank current accounts | 8,490 |
| 13,560 | Bank Call accounts and Money Market Funds | 110 |
| **20,612** | **Total Cash held by the Authority** | **8,600** |
| (10,165) | Bank Overdraft | (4,321) |
| **10,447** | **Total Cash and Cash Equivalents** | **4,279** |

## 16. Creditors

| | 31 March 2011 £000s | 31 March 2010 £000s |
|---|---|---|
| Central government bodies | 17,345 | 14,954 |
| Other local authorities | 3,604 | 1,495 |
| NHS bodies | 1,263 | 438 |
| Public corporations and trading funds | 43,937 | 30,374 |
| Other entities and individuals | 11,139 | 12,164 |
| Teacher's Pensions Scheme | 1,790 | 1,749 |
| Short term accumulated absences account | 4,134 | 3,814 |
| **Total** | **83,212** | **64,988** |

## 17. Provisions

| | Self-insurance – liability & fire (1) £000s | Equal Pay (2) £000s | Deferred Leavers (3) £000s | Industrial estates dilapidation (4) £000s | Other (5) £000s | Total £000s |
|---|---|---|---|---|---|---|
| **Balance at 1 April 2010** | **14,874** | **7,100** | **0** | **253** | **8** | **22,235** |
| Additional provisions made in 2010/11 | 4,601 | 20 | 928 | 0 | 0 | **5,549** |
| Amounts used in 2010/11 | (2,125) | (3,725) | (0) | (253) | (8) | **(6,111)** |
| Unused amounts reversed in 2010/11 | (4,971) | (2,750) | (0) | (0) | (0) | **(7,721)** |
| **Balance at 31 March 2011** | **12,379** | **645** | **928** | **0** | **0** | **13,952** |

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

| | Short Term £000s | Long Term £000s |
|---|---|---|
| Self Insurance – liability & fire | 1,768 | 10,611 |
| Equal Pay | 645 | 0 |
| Deferred Leavers | 928 | 0 |
| **Total** | **3,341** | **10,611** |

**Notes**

(1) In accordance with IAS 37 the Insurance Liabilities at 31 March 2011 are estimated to be £12,379,000. 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 2011.

(4) Leases on former Greater Manchester Council Industrial Estates are coming to an end and dilapidations payments are becoming due to landlords. Bolton acts as lead District for all such estates. These costs will ultimately be borne by the 10 districts in proportion to their population.

(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

| 2009/10 £000s | | 2010/11 £000s |
|---:|---|---:|
| | **Unusable Reserves** | |
| 68,786 | - Revaluation reserve | 77,195 |
| 275 | - Available-for-Sale Financial Instruments Reserve | 294 |
| (436,700) | - Pensions Reserve | (167,400) |
| 130 | - Deferred capital receipts | 128 |
| 691,783 | - Capital Adjustment Account | 334,350 |
| 5 | - Financial Instruments Adjustment Account | 0 |
| 750 | - Collection Fund Adjustment Account | 1,000 |
| (3,814) | - Short-term Accumulating Compensated Absences Account | (4,134) |
| **321,215** | | **241,433** |

## Movement in Unusable Reserves: Table for year ending 31 March 2010

| | 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 2009** | **(65,875)** | **(219)** | **174,600** | **(707,165)** | **(132)** | **(9)** | **0** | **4,865** | **(593,935)** |
| **Movement in reserves during 2009/10** | | | | | | | | | |
| Surplus/(deficit) on provision of services | | | | | | | | | |
| Other Comprehensive Income and Expenditure: | | | | | | | | | |
| Revaluation Gains | (8,010) | | | | | | | | (8,010) |
| Impairment losses (chargeable to revaluation reserve) | 359 | | | | | | | | 359 |
| Movement in pensions reserve | | | 257,100 | | | | | | 257,100 |
| **Total Comprehensive Income and Expenditure** | **(7,651)** | **0** | **257,100** | **0** | **0** | **0** | **0** | **0** | **249,449** |
| **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) | | | | 32,728 | | | | | 32,728 |
| Excess of depreciation charged to HRA services over MRA element of housing subsidy | | | | 1,236 | | | | | 1,236 |

| | Revaluation Reserve £000 | Available for Sale Reserve £000 | Pensions Reserve £000 | Capital Adjustment Account £000 | Deferred Capital Receipts £000 | Financial Instruments Adjustment Account £000 | Collection Fund Adjustment Account £000 | Accumulated Absences Account £000 | Total Unusable Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|
| Impairment/revaluation losses (charged to I&E) | | | | 23,341 | | | | | 23,341 |
| Movement in market value of investment property | | | | (1,225) | | | | | (1,225) |
| Capital grants and contributions | | | | (22,000) | | | | | (22,000) |
| Revenue expenditure funded by capital under statute | | | | 749 | | | | | 749 |
| Profit/loss on sale of non-current assets | 3,057 | | | 8,127 | | | | | 11,184 |
| Net retirement benefits per IAS 19 (FRS17) | | | 29,400 | | | | | | 29,400 |
| Difference in statutory debits/credits and amounts recognised as income and expenditure in the Financial Statement e.g. Soft Loans | | | | | | 4 | | | 4 |
| Gain/loss on revaluation of available for sale financial instruments | | (56) | | | | | | | (56) |
| 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 | | | | | | | (750) | | (750) |

| | 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** |
| **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) | | | | (10,458) | | | | | (10,458) |
| Statutory Repayment of Debt (Finance Lease Liabilities) | | | | (312) | | | | | (312) |
| Statutory Repayment of Debt (PFI) | | | | (262) | | | | | (262) |
| Voluntary Provision above MRP | | | | | | | | | |
| HRA capital receipts to housing central pool | | | | | | | | | |
| Employers contributions to pensions schemes | | | (24,400) | | | | | | (24,400) |
| Revenue contributions to finance capital spend | | | | (16,727) | | | | | (16,727) |
| **Other adjustments include:** | | | | | | | | | |
| Use of capital receipts reserve to finance capital expenditure | | | | (5,024) | | | | | (5,024) |
| Transferred debt repayment | | | | 84 | | | | | 84 |
| Adjustment between CAA and Revaluation Reserve for depreciation related to revaluation balance rather than historic cost | 1,424 | | | (1,424) | | | | | 0 |
| Total adjustments | 4,481 | (56) | 5,000 | 8,833 | 0 | 4 | (750) | 0 | 17,512 |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | **(3,170)** | **(56)** | **262,100** | **8,833** | **0** | **4** | **(750)** | **0** | **266,961** |

| | 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** |
| **Transfers to/from Earmarked Reserves:** | | | | | | | | | |
| All other movements in reserves | 259 | | | 6,549 | 2 | | | | 6,810 |
| Compensated absences | | | | | | | | (1,051) | (1,051) |
| **Total earmarked reserve movements** | **259** | **0** | **0** | **6,549** | **2** | **0** | **0** | **(1,051)** | **5,759** |
| **Increase/Decrease movement in the year** | **(2,911)** | **(56)** | **262,100** | **15,382** | **2** | **4** | **(750)** | **(1,051)** | **272,720** |
| **Balance at 31 March 2010 carried forward** | **(68,786)** | **(275)** | **436,700** | **(691,783)** | **(130)** | **(5)** | **(750)** | **3,814** | **(321,215)** |

## 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** | **(68,786)** | **(275)** | **436,700** | **(691,783)** | **(130)** | **(5)** | **(750)** | **3,814** | **(321,215)** |
| 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)** | **357,609** | **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)** | **357,433** | **2** | **5** | **(250)** | **320** | **79,781** |
| **Balance at 31 March 2011 carried forward** | **(77,195)** | **(294)** | **167,400** | **(334,350)** | **(128)** | **0** | **(1,000)** | **4,134** | **(241,433)** |

## 20. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

| 2009/10 £000s | | 2010/11 £000s |
|---|---|---|
| 1,387 | Interest received | 1,205 |
| (15,334) | Interest paid | (15,992) |
| 1,000 | Dividends received | 1,000 |

## 21. Cash Flow Statement - Investing Activities

| 2009/10 £000s | | 2010/11 £000s |
|---|---|---|
| (70,149) | Purchase of property, plant and equipment, investment property and intangible assets | (77,048) |
| (139,578) | Purchase of short-term and long-term investments | (110,950) |
| (0) | Other payments for investing activities | (0) |
| 3,484 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 10,096 |
| 134,550 | Proceeds from short-term and long-term investments | 85,850 |
| 0 | Other receipts from investing activities | 0 |
| **(71,693)** | **Net cash flows from investing activities** | **(92,052)** |

## 22. Cash Flow Statement - Financing Activities

| 2009/10 £000s | | 2010/11 £000s |
|---|---|---|
| 106,600 | Cash receipts of short-term and long-term borrowing | 121,500 |
| 0 | Other receipts from financing activities | 0 |
| (0) | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | (0) |
| (119,911) | Repayments of short-term and long-term borrowing | (130,601) |
| (0) | Other payments for financing activities | (0) |
| **(13,311)** | **Net cash flows from financing activities** | **(9,101)** |

## 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 budget 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 | Directorate Analysis 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** |

**The income and expenditure of the Authority's Service Departments recorded in the budget reports for 2009/2010 is as follows:**

| | Adults<br>£000s | Asylum Seekers & Other<br>£000s | Central Departments<br>£000s | Children's Services<br>£000s | Development & Regeneration<br>£000s | Environmental Services<br>£000s | Financial Services<br>£000s | Housing HRA<br>£000s | Housing GRF<br>£000s | Special Funding<br>£000s | Total<br>£000s |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fees, charges & other service income | (31,618) | (1,593) | (32,059) | (38,525) | (3,705) | (41,981) | (5,472) | (60,554) | (11,462) | (26,608) | (253,577) |
| Government grants & contributions | (6,355) | (88) | (107,457) | (212,500) | 0 | (140) | (2,373) | 0 | (808) | (1,642) | (331,363) |
| **Total income** | **(37,973)** | **(1,681)** | **(139,516)** | **(251,025)** | **(3,705)** | **(42,121)** | **(7,845)** | **(60,554)** | **(12,270)** | **(28,250)** | **(584,940)** |
| Employee expenses | 46,813 | 299 | 26,729 | 207,119 | 5,212 | 33,019 | 10,007 | 0 | 3,221 | 335 | 332,754 |
| Other service expenses | 56,964 | 1,376 | 134,463 | 71,242 | 2,213 | 36,633 | 48,263 | 60,554 | 10,786 | 27,852 | 450,346 |
| Support service recharges | 99 | 6 | 10,874 | 10,895 | 487 | 445 | 0 | 0 | 1,606 | 63 | 24,475 |
| **Total net expenditure** | **103,876** | **1,681** | **172,066** | **289,256** | **7,912** | **70,097** | **58,270** | **60,554** | **15,613** | **28,250** | **807,575** |
| | | | | | | | | | | | |
| **Net Expenditure** | **65,903** | **0** | **32,550** | **38,231** | **4,207** | **27,976** | **50,425** | **0** | **3,343** | **0** | **222,635** |

## 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.

### 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** |

### 2009/2010

| | **£000s** |
|---|---|
| Directorate analysis | 222,635 |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to Management in the analysis | 30,235 |
| Amounts in the analysis not included in the Comprehensive Income and Expenditure Statement | (10,938) |
| **Net Cost of Services in the Comprehensive Income and Expenditure Statement** | **241,932** |

## Reconciliation to Subjective Analysis

### 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** |

**2009/2010**

| | 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 | (250,365) | 0 | 24,547 | 24,239 | **(201,579)** | 0 | **(201,579)** |
| Interest and investment income | (3,211) | 0 | 3,211 | 0 | **0** | (3,211) | **(3,211)** |
| Income from council tax | 0 | 0 | 0 | 0 | **0** | (99,603) | **(99,603)** |
| Government grants and contributions | (331,363) | 0 | 27,274 | 0 | **(304,089)** | (175,202) | **(479,291)** |
| **Total Income** | **(584,939)** | **0** | **55,032** | **24,239** | **(505,668)** | **(278,016)** | **(783,684)** |
| | | | | | | | |
| Employee expenses | 332,754 | (10,776) | (12,523) | 0 | **309,455** | 14,700 | **324,155** |
| Other service expenses | 433,985 | 6 | (36,923) | 0 | **397,068** | 0 | **397,068** |
| Support service recharges | 24,474 | 0 | (235) | (24,239) | **0** | 0 | **0** |
| Depreciation, amortisation & impairment | 0 | 41,005 | 0 | 0 | **41,005** | 0 | **41,005** |
| Interest payments & other investments | 16,361 | 0 | (16,289) | 0 | **72** | 16,919 | **16,991** |
| Precepts & levies | 0 | 0 | 0 | 0 | **0** | 374 | **374** |
| Payments to Housing Capital Receipts Pool | 0 | 0 | 0 | 0 | **0** | 1,050 | **1,050** |
| (Gain)/loss on disposal of non- current assets | 0 | 0 | 0 | 0 | **0** | 7,959 | **7,959** |
| **Total Expenditure** | **807,574** | **30,235** | **(65,970)** | **(24,239)** | **747,600** | **41,002** | **788,602** |
| | | | | | | | |
| **(Surplus)/deficit on provision of services** | **222,635** | **30,235** | **(10,938)** | **0** | **241,932** | **(237,014)** | **4,918** |

## 24. Trading Operations

| Activity | 2010/11 | | | 2009/10 | | | 2008/09 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Income £000s | Expenditure £000s | (Surplus) / Deficit £000s | Income £000s | Expenditure £000s | (Surplus) / Deficit £000s | Income £000s | Expenditure £000s | (Surplus) / Deficit £000s |
| Markets | 2,718 | 2,602 | (116) | 1,562 | 1,778 | 216 | 1,667 | 1,864 | 197 |
| Building Control | 428 | 428 | 0 | 513 | 599 | 86 | 575 | 603 | 28 |
| Special Needs Transport | 4,658 | 4,737 | 79 | 4,538 | 4,744 | 206 | 4,393 | 4,390 | (3) |
| Security & Response | 1,695 | 1,902 | 207 | 1,716 | 1,668 | (48) | 1,860 | 1,869 | 9 |
| Schools & Welfare Catering | 6,339 | 6,941 | 602 | 6,093 | 7,179 | 1,086 | 7,009 | 7,170 | 161 |
| Fleet Management | 7,023 | 6,798 | (225) | 6,209 | 5,625 | (584) | 9,322 | 8,327 | (995) |
| Building Cleaning | 3,561 | 3,623 | 62 | 3,900 | 3,826 | (74) | 3,898 | 3,859 | (39) |
| Legal | 2,087 | 2,087 | 0 | 2,053 | 2,007 | (46) | 1,844 | 1,867 | 23 |
| Civic Catering | 524 | 651 | 127 | 529 | 649 | 120 | 168 | 206 | 38 |
| **(Surplus) Deficit** | **29,033** | **29,769** | **736** | **27,113** | **28,075** | **962** | **30,736** | **30,155** | **(581)** |

## 25. Agency Services

The Authority provides Accommodation services for Refugees on behalf of the North West Consortium (NWC). The North West Consortium (NWC) pays a fixed contract fee for this service. The service utilises 161 properties attracting a fee of approx £2,000 per property.

| | 2010/11 £000s | 2009/10 £000s |
|---|---|---|
| Expenditure incurred in providing accommodation services for Refugees on behalf of the North West Consortium | 146 | 385 |
| Management fee payable by the North West Consortium | (146) | (385) |
| **Net surplus arising on the agency agreement** | **0** | **0** |

The Authority provides Treasury Services for the GM Casualty Reduction Partnership processing payments of just over £8m in 2010/11.

| | 2010/11 £000s | 2009/10 £000s |
|---|---|---|
| Expenditure incurred for Treasury Services for the GM Casualty Reduction Partnership | 19 | 18 |
| Management fee payable by the Environmental Services | (19) | (18) |
| **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 over £2.7m in 2010/11

| | 2010/11 £000s | 2009/10 £000s |
|---|---|---|
| Expenditure incurred in providing payroll and some payment services for Bolton Wise | 17 | 13 |
| Management fee payable by the Environmental Services | (17) | (13) |
| **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 the PCT 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.

| | 2010/11 | | 2009/10 | |
|---|---|---|---|---|
| | **£000s** | **£000s** | **£000s** | **£000s** |
| Funding provided to the pooled budget:<br>- The Authority<br>- The PCT | <br>(985)<br>(422) | | <br>(991)<br>(333) | |
| | | (1,407) | | (1,324) |
| Expenditure met from the pooled budget:<br>- The Authority<br>- The PCT | 1,319<br>88 | | 1,223<br>101 | |
| | | 1,407 | | 1,324 |
| 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:

| | 2010/11<br>£000s | 2009/10<br>£000s |
|---|---|---|
| Allowances | 890 | 857 |
| Expenses | 2 | 12 |
| **Total** | **892** | **869** |

## 28. Officers' Remuneration

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

| | **2010-2011** | | | | | | **2009-10** |
|---|---|---|---|---|---|---|---|
| | **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 | 170,000 | 0 | 0 | 170,000 | 26,860 | 196,860 | 190,647 |
| Director of Corporate Resources | 132,500 | 0 | 0 | 132,500 | 20,935 | 153,435 | 151,039 |
| Director of Children's Services | 130,000 | 0 | 0 | 130,000 | 20,540 | 150,540 | 148,101 |
| Director of Development and Regeneration | 130,000 | 0 | 0 | 130,000 | 20,540 | 150,540 | 122,873 |
| Director of Adult and Community Services | 130,000 | 0 | 0 | 130,000 | 20,540 | 150,540 | 148,502 |
| Director of Environmental Services | 110,000 | 0 | 0 | 110,000 | 17,380 | 127,380 | 148,773 |
| Director of Chief Executive's Department | 110,000 | 0 | 0 | 110,000 | 17,380 | 127,380 | 125,836 |
| | **912,500** | **0** | **0** | **912,500** | **144,175** | **1,056,675** | **1,035,771** |

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 | |
|---|---|---|---|---|
| | **2010/11** | **2009/10** | **2010/11** | **2009/10** |
| £50,000 - £54,999 | 58 | 79 | 18 | 27 |
| £55,000 - £59,999 | 49 | 44 | 14 | 14 |
| £60,000 - £64,999 | 20 | 18 | 5 | 6 |
| £65,000 - £69,999 | 9 | 4 | 3 | 4 |
| £70,000 - £74,999 | 7 | 8 | 3 | 4 |
| £75,000 - £79,999 | 4 | 5 | 7 | 11 |
| £80,000 - £84,999 | 3 | 3 | 5 | 4 |
| £85,000 - £89,999 | 2 | 1 | 2 | 1 |
| £90,000 - £94,999 | 2 | 1 | 1 | 0 |
| £95,000 - £99,999 | 1 | 0 | 0 | 0 |
| £100,000-£104,999 | 2 | 1 | 0 | 0 |
| £105,000-£109,999 | 0 | 0 | 0 | 2 |
| £110,000-£114,999 | 0 | 1 | 2 | 0 |
| £115,000-£119,999 | 0 | 0 | 0 | 0 |
| £120,000-£124,999 | 0 | 0 | 1 | 0 |
| £125,000-£129,999 | 0 | 0 | 3 | 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 | 0 | 0 |
| £165,000-£169,999 | 0 | 0 | 0 | 1 |
| £170,000-£171,999 | 0 | 0 | 1 | 0 |

## 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:

| | 2010/11 £000s | 2009/10 £000s |
|---|---|---|
| Fees payable with regard to external audit services carried out by the appointed auditor for the year - KPMG | 296 | 285 |
| Fees payable in respect of statutory inspections – Audit Commission | 0 | 17 |
| Fees payable for the certification of grant claims and returns for the year - KPMG | 60 | 65 |
| Refunds from the Audit Commission in respect of IFRS and 2010/11 fee | (31) | 0 |
| Fees payable in respect of other services provided during the year: | | |
| - KPMG | 44 | 38 |
| - Audit Commission | 4 | 2 |
| **Total** | **373** | **407** |

The fees for other services in 2010/11 include £42,395 in relation to electors' challenge issues relating to accounts pre 2010/11 (£35,480 in 2009/10).

## 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 2010/11 are as follows:

| | Schools Budget Funded by Dedicated Schools Grant | | |
|---|---|---|---|
| | **Central expenditure £000s** | **Individual Schools Budget £000s** | **Total £000s** |
| Final DSG for 2010/2011 | | | 175,133 |
| Brought forward from 2009/2010 | | | 1,634 |
| Carry forward to 2010/2011 agreed in advance | | | (1,634) |
| Agreed Budget Distribution in 2010/2011 | 18,138 | 156,995 | 175,133 |
| Actual central expenditure | 15,541 | 0 | 15,541 |
| Actual ISB deployed to schools | 0 | 156,995 | 156,995 |
| Local Authority contribution for 2010/2011 | 0 | 0 | 0 |
| In year reserves and DSG carry forward | 2,597 | 0 | 2,597 |
| Carry forward for 2009/2010 | | | 1,634 |
| **Carry forward to 2011/2012** | | | **4,231** |

## 31. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

| | 2010/11 £000s | 2009/10 £000s |
|---|---|---|
| **Credited to Taxation and Non Specific Grant Income:** | | |
| Revenue Support Grant (RSG) | 16,178 | 23,222 |
| Area Based Grants (ABG) | 30,733 | 25,929 |
| LAGBI | 0 | 315 |
| Reward Grant | 0 | 1,030 |
| Capital Grants | 40,224 | 24,098 |
| **Total** | **87,135** | **74,594** |
| **Credited to Services:** | | |
| Housing Revenue Account Subsidy | 617 | 7,387 |
| Supporting People | 666 | 9,829 |
| PFI Special Grant | 1,014 | 1,014 |
| Council Tax Benefit Subsidy | 24,089 | 23,025 |
| Rent Allowance Subsidy | 49,520 | 44,641 |
| HRA Rent Rebates Subsidy | 34,909 | 34,067 |
| Non-HRA Rent Rebates Subsidy | 1,213 | 1,129 |
| HB and Council Tax Benefit Admin Grant | 2,617 | 2,974 |
| Sure Start Grants | 11,457 | 11,648 |
| Dedicated Schools Grant | 174,518 | 171,419 |
| Schools Standards Grant and Schools Standards Funds | 35,807 | 29,729 |
| Learning and Skills Council | 0 | 9,462 |
| Other Revenue Grants, reimbursements and contributions (Government) | 18,731 | 23,707 |
| Other Revenue Grants, reimbursements and contributions (Non-Government) | 2,207 | 28,930 |
| **Total** | **357,365** | **398,961** |

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 2010/11 are as follows:

| | **31 March 2011 £000s** |
|---|---|
| **Capital Grants Receipts in Advance** | |
| Standards Fund | 35,098 |
| Early Years and Short Breaks Pathfinder | 2,097 |
| Manchester City Galleries (Museum) - RDA10/11 | 131 |
| Home Office - Safer Stronger Communities | 71 |
| DOH - Social Care IT Infrastructure | 106 |
| Youth Capital Fund | 151 |
| Academies Environmental Works | 190 |
| Sport England | 155 |
| Big Lottery | 74 |
| Other Grants | 128 |
| Learning Skills Council | 53 |
| **Total** | **38,254** |

## 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 £242,554 in 2010/11 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 £852,100 in the Council's accounts.

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

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

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

| **Contributions, Grants & Other Receipts** | | **2010/11** | **2009/10** |
|---|---|---|---|
| **Related Party** | **Description of Transaction** | **£000s** | **£000s** |
| Other Local Authorities | Educational Services | 1,145 | 991 |
| | Social Services | 0 | 1,052 |
| | Magistrates share of debt charges | 177 | 198 |
| | Children's Social Care | 346 | 213 |
| | Legal | 62 | 10 |
| Partnership Bodies | Bolton Community Homes Ltd | 179 | 182 |
| | NWIEP | 23 | 0 |
| Health Authority | Joint Working Arrangements | 15,835 | 14,924 |
| | Children's Social Care | 249 | 200 |
| | Recreational | 108 | 0 |
| Levies from Authorities | Coroner | 1,050 | 1,065 |
| Housing | UK Border Agency | 176 | 408 |
| Other | Schools Linking Network | 0 | 39 |
| | Probation | 22 | 22 |
| | Commission for the New Economy | 46 | 0 |
| | GMPTE | 95 | 0 |
| | Youth Justice Board | 11 | 0 |
| **Sub Total re: Income Rec'd from 3rd Parties** | | **19,524** | **19,304** |

| **Payments Made** | | **2010/11** | **2009/10** |
|---|---|---|---|
| **Related Party** | **Description of Transaction** | **£000s** | **£000s** |
| Other Local Authorities | Educational Services | 683 | 367 |
| | Magistrates – share of debt charges | 114 | 91 |
| | Children's Social Care | 214 | 180 |
| | Manchester City Council | 52 | 0 |
| Members | Allowances | 892 | 862 |
| Precepting Authorities | Police, Fire & Civil Defence | 16,407 | 15,260 |
| | Parishes | 374 | 374 |
| Primary Care Trust | Speech Therapy | 420 | 221 |
| | Children's Social Care | 210 | 209 |
| | LD Purchaser Fieldwork | 1,601 | 1,523 |
| | Bolton PCT | 19 | 0 |
| Levies from Authorities | Transport Board Levy | 17,757 | 16,865 |
| | Waste Disposal Authority | 13,022 | 10,869 |
| | Land Drainage Precept | 0 | 129 |
| | S48 | 384 | 384 |
| | NW Regional Chamber | 9 | 8 |
| | AGMA Secretariat | 401 | 334 |
| | Other AGMA payments | 15 | 34 |
| | Red Rose | 13 | 15 |
| | Ecology Unit | 16 | 16 |
| | Geological Unit | 18 | 18 |
| | Archaeological Unit | 22 | 19 |
| | Tourist Information/marketing Manchester | 34 | 22 |
| | Building Schools for the Future | 300 | 557 |
| | GMPTE | 1 | 75 |
| | HM Court Services | 378 | 0 |
| **Total re: Payments Made** | | **53,356** | **48,432** |

## 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:

| | **2010/11 £000s** | **2009/10 £000s** |
|---|---|---|
| **Opening Capital Financing Requirement** | 511,460 | 499,450 |
| **Capital Investment** | | |
| Property, Plant and Equipment | 78,661 | 65,236 |
| Investment Properties | 2,468 | |
| Intangible Assets | 307 | 564 |
| Revenue Expenditure Funded from Capital under Statute | 5,276 | 972 |
| | | |
| **Sources of Finance** | | |
| Capital receipts | (8,013) | (5,314) |
| Government grants and other contributions | (42,271) | (22,783) |
| Sums set aside from revenue: | | |
| Direct revenue contributions | (9,065) | (16,794) |
| MRP/loans fund principal | (10,773) | (9,871) |
| LSVT - loans repaid | (284,949) | |
| **Closing Capital Financing Requirement** | 243,101 | 511,460 |
| | | |
| **Explanation of movements in year** | | |
| Increase in underlying need to borrow (supported by government financial assistance) | | |
| Increase in underlying need to borrow (unsupported by government financial assistance) | 15,801 | 12,010 |
| Assets acquired under finance leases | 789 | |
| Large Scale voluntary transfer of Housing stock | (284,949) | |
| **Increase/decrease in Capital Financing Requirement** | (268,359) | 12,010 |

## 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 2011 £000 | 31 March 2010 £000 |
|---|---|---|
| Other Land and Buildings | 1,464 | 1,427 |
| Vehicles, Plant, Furniture and Equipment | 2,059 | 1,633 |
| **Total leased assets** | **3,523** | **3,060** |

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 2011 | 31 March 2010 |
|---|---|---|
| | **£000** | **£000** |
| Finance lease liabilities (net present value of minimum lease payments): | | |
| current | 496 | 329 |
| Non-current | 1,864 | 1,693 |
| Finance costs payable in future years | 2,279 | 2,311 |
| **Minimum lease payments** | **4,639** | **4,333** |

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

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|---|---|---|---|---|
| | 31 March 2011 £000 | 31 March 2010 £000 | 31 March 2011 £000 | 31 March 2010 £000 |
| Not later than one year | 593 | 415 | 496 | 329 |
| Later than one year and not later than five years | 1,755 | 1,598 | 1,543 | 1,371 |
| Later than five years | 2,291 | 2,320 | 322 | 322 |
| **Minimum lease payments** | **4,639** | **4,333** | **2,361** | **2,022** |

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 2010/11 contingent rents payable by the Authority were £255k (2009/10 £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 £126,322 (£128,278 at 31 March 2010).

**Operating Leases**

The Authority has acquired its fleet of refuse collection vehicles by entering into operating leases, with typical lives of seven years.

The expenditure in the year of £1,890,312 in relation to these leases was charged to the relevant service line (2009/10 £1,230,462).

## 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 18 and 57 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 2011 | 31 March 2010 |
|---|---|---|
| | £000 | £000 |
| Finance lease debtors (net present value of minimum lease payments): | | |
| Current | 2 | 2 |
| Non-current | 124 | 126 |
| Unearned finance income | 291 | 302 |
| **Gross investment in the lease** | **417** | **430** |

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 2011 | 31 March 2010 | 31 March 2011 | 31 March 2010 |
| | £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 | 349 | 362 | 349 | 362 |
| | **417** | **430** | **417** | **430** |

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 2010/11 £217k contingent rents were receivable by the Authority (2009/10 £217k). 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 2011 £000 | 31 March 2010 £000 |
|---|---|---|
| Not later than one year | 1,928 | 1,830 |
| Later than one year and not later than five years | 7,070 | 6,727 |
| Later than five years | 135,321 | 135,719 |
| | **144,319** | **144,276** |

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 2011 (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 2011/12 | 782 | 296 | 541 | 1,619 |
| Payable within 2 to 5 years | 3,127 | 1,381 | 1,967 | 6,475 |
| Payable within 6 to 10 years | 3,908 | 2,276 | 1,909 | 8,093 |
| Payable within 11 to 15 years | 3,908 | 3,088 | 1,097 | 8,093 |
| Payable in 16 to 20 years | 1,954 | 1,935 | 157 | 4,046 |
| **Total** | **13,679** | **8,976** | **5,671** | **28,326** |

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:

| | 2010/11 £000s | 2009/10 £000s |
|---|---|---|
| Balance outstanding at start of year | 9,253 | 9,515 |
| Payments during the year | (278) | (262) |
| Capital expenditure incurred during the year | 0 | 0 |
| Other movements | 0 | 0 |
| **Balance outstanding at 31 March 2011** | **8,975** | **9,253** |

**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 2010/11, the Authority has recognised an impairment loss of £1.7m in relation to the planned demolition of Council House property. It has also recognised a loss of £9.2m in respect of the value of surface car parks as a result of the Authority's car park strategy to provide new car parks.

## 37. Termination Benefits

The Authority terminated the contracts of 423 employees in 2010/11, incurring liabilities of £5,280,433.

Of this amount £2,922,423 was made in respect of voluntary severance payments, £754,205 was paid to employees whose posts were made redundant, and £1,603,804 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.

| | 2010/11 | 2009/10 |
|---|---|---|
| Percentage contributed (%) | 14.1 | 14.1 |
| Amount contributed (£000s) | 12,563 | 12,584 |

With regard to the Teachers' Pension Scheme, there were contributions of £1,789,725.09 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:

| | 2010/11 £000s | 2009/10 £000s |
|---|---|---|
| **Comprehensive Income and Expenditure Statement** | | |
| **Cost of Services** | | |
| current service cost | 25,000 | 13,300 |
| past service costs | (94,400) | 900 |
| curtailments and settlements | 1,400 | 500 |
| **Financing and Investment Income and Expenditure** | | |
| interest cost | 56,900 | 45,600 |
| expected return on scheme assets | (46,300) | (30,900) |
| **Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services** | (57,400) | 29,400 |
| **Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement** | | |
| actuarial gains and losses | (187,600) | 257,100 |
| **Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement** | (245,000) | 286,500 |
| **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 | 81,700 | (29,400) |
| **Actual amount charged against the General Fund Balance for pensions in the year:** | | |
| employers' contributions payable to the scheme | | |
| current service cost | (21,200) | 21,300 |
| past service costs | (3,100) | 3,100 |

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a gain of £187.6m.

## Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities:

| | 2010/11 £000s | 2009/10 £000s |
|---|---|---|
| Opening balance at 1 April | 1,107,100 | 663,200 |
| Current service costs | 25,000 | 13,300 |
| Interest costs | 56,900 | 45,600 |
| Contributions by scheme participants | 8,300 | 8,500 |
| Actuarial gains and losses | (215,800) | 402,600 |
| Benefits paid | (31,000) | (27,500) |
| Past service costs | (94,400) | 900 |
| Curtailments | 1,400 | 500 |
| **Closing balance at 31 March** | **857,500** | **1,107,100** |

Reconciliation of fair value of the scheme assets:

| | 2010/11 £000s | 2009/10 £000s |
|---|---|---|
| Opening balance at 1 April | 670,400 | 488,600 |
| Expected rate of return | 46,300 | 30,900 |
| Actuarial gains and losses | (28,200) | 145,500 |
| Employer contributions | 24,300 | 24,400 |
| Contributions by scheme participants | 8,300 | 8,500 |
| Benefits paid | (31,000) | (27,500) |
| **Closing balance at 31 March** | **690,100** | **670,400** |

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 £45m in 2010/11 (£176.5m in 2009/10).

**Scheme History**

| | 2010/11 | 2009/10 | 2008/09 | 2007/08* | 2006/07* |
|---|---|---|---|---|---|
| **Present value of liabilities** | | | | | |
| Local Government Pension Scheme | (857,500) | (1,107,100) | (663,200) | (667,500) | (736,400) |
| **Fair value of assets in the Local Government Pension Scheme** | 690,100 | 670,400 | 488,600 | 581,900 | 623,100 |
| **Surplus/(deficit) in the scheme:** | | | | | |
| Local Government Pension Scheme | **(167,400)** | **(436,700)** | **(174,600)** | **(85,600)** | **(113,300)** |

* 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 £167.4m 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 2012 is £20.7m.

**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:

| | 2010/11 | 2009/10 |
|---|---|---|
| Long-term expected rate of return on assets in the scheme: | | |
| Equity investments | 7.5% | 7.8% |
| Bonds | 4.9% | 5.0% |
| Property | 5.5% | 5.8% |
| Cash | 4.6% | 4.8% |
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners: | | |
| Men | 20.1 | 20.8 |
| Women | 22.9 | 24.1 |
| Longevity at 65 for future pensioners: | | |
| Men | 22.5 | 22.8 |
| Women | 25.0 | 26.2 |
| Rate of inflation | 2.8% | 3.8% |
| Rate of increase in salaries | | 5.3% |
| - 2010/11 to 2012/13 | 1% | |
| - 2013/14 onwards | 4.3% | |
| Rate of increase in pensions | 2.8% | 3.8% |
| Rate for discounting scheme liabilities | 5.5% | 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 2011 % | 31 March 2010 % |
|---|---|---|
| Equity investments | 66 | 67 |
| Bonds | 17 | 16 |
| Other assets | 17 | 17 |
| | **100** | **100** |

**History of experience gains and losses**

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

| | 2010/11 % | 2009/10 % | 2008/09 % | 2007/08 % | 2006/07 % |
|---|---|---|---|---|---|
| Differences between the expected and actual return on assets (investments) | (4.09) | 21.70 | (28.82) | (14.73) | 0.61 |
| Experience gains and losses on liabilities (pensions) | (12.55) | 0.29 | 0.66 | (0.22) | 0.04 |

## 40. Contingent Liabilities

- ### Municipal Mutual Insurance Ltd

In January 1994, the Council's then insurer, Municipal Mutual Insurance (MMI), made a Scheme of Arrangement with its creditors. Under this scheme claims are initially paid out in full, but if the eventual winding up of the company results in insufficient assets to meet all liabilities, a claw back clause will be triggered, which could affect claims already paid.

As at 31 March 2011 £4.847m of Bolton MBC claims have already been paid (£4.830m at 31 March 2010), with outstanding claims of £0.293m (£0.272m at 31 March 2010). This is covered within the Insurance Provision on the balance sheet.

The Greater Manchester Council's (GMC) former insurer was also MMI. As at 31 March 2011 £10.7m of claims relating to GMC had already been paid (£10.7m at 31 March 2010), with outstanding claims estimated at £0.025m (£0.1m at 31 March 2010).

GMC ceased to exist on 31 March 1986 and any residual liabilities are shared between the ten local authorities of AGMA based on the population estimated by the Registrar General on the 30 June which falls 21 months before the beginning of the financial year in which any sum recoverable falls. Bolton's share of this liability is presently 10.32%. Therefore Bolton's share of the ex GMC claims paid and outstanding at 31 March 2011 are £1.106m.

As at June 2010 the MMI Annual Report and Accounts stated that the Directors are of the view that if a positive outcome can be achieved in the current litigation case a solvent run off with full payment of claims will be achieved. The litigation case is to be considered by the Supreme Court at the end of 2011 and a decision to be made possibly summer 2012.

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

- **Independent Insurance**

A provisional liquidator was appointed to Independent Insurance Company Ltd on the 18 June 2001. The company provided the Council with stop loss public and employer's liability cover for the year 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 9th 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:

- Single Regeneration Budget (SRB)
- Urban Programme
- City Challenge
- Inner Area Grants.

The Council had been in receipt of grant under all except the fourth grant stream listed above. The announcement by DCLG effectively removed the clawback facility on future disposal.

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.

- **Yorkshire Purchasing Organisation**

  A Joint Committee of which the Council is a member authority has been asked by a regulatory body to provide information in relation to its activities. At present it is not known whether this will lead to any action or if there will be any financial impact.

## 41. Contingent Assets

Additional income of up to £1.702m 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 24th February 2010 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 2010/11 was approved by Full Council on 24th February 2010 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. There is a further policy of not lending more than £12m to any banking group. Based upon past experience the investments held at the 31st March 2011 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** | |
|---|---|---|---|
| | | **2010/11** | **2009/10** |
| | **%** | **£000s** | **£000s** |
| Public Works Loans Board | | 0 | 254,051 |
| Bonds | 3.90 to 12.125 | 72,250 | 72,250 |
| Mortgages | 3.33 | 1 | 1 |
| **Total Borrowing** | | **72,251** | **326,302** |
| Less: Due Within 12 Months on Demand | | | (67,494) |
| | | **72,251** | **258,808** |
| An Analysis of Loans by Maturity at 31 March :- | | | |
| Amounts of Principal to be Repaid | | | |
| Within 1 year | | 0 | 67,494 |
| In 1 to 2 Years | | 0 | 584 |
| In 2 to 5 Years | | 7,000 | 13,163 |
| In 5 to 10 Years | | 3,250 | 20,616 |
| 10 - 20 Years | | 2,000 | 52,485 |
| 20 – 30 Years | | 0 | 25,009 |
| 30 – 40 Years | | 0 | 0 |
| 40 -50 Years | | 30,000 | 30,000 |
| After 50 Years | | 30,001 | 116,951 |
| | | **72,251** | **326,302** |

**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.

The Council's External Loan Debt matures (fully repaid) as follows:

| | **2010/11 £000s** | **2009/10 £000s** |
|---|---:|---:|
| Within 1 Year | 0 | 66,948 |
| 1 - 2 Years | 0 | 206 |
| 2 - 5 Years | 7,000 | 12,077 |
| 5 - 10 Years | 3,250 | 18,914 |
| 10 - 20 Years | 2,000 | 56,155 |
| 20 – 30 Years | 0 | 25,051 |
| 30 – 40 Years | 0 | 0 |
| 40 -50 Years | 30,000 | 30,000 |
| After 50 Years | 30,001 | 116,951 |
| **Total Borrowing** | **72,251** | **326,302** |

**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, 72% of the borrowings held at the 31st March 2011 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 | 625 |
| Increase in interest receivable on variable rate investments | 0 |
| Increase in government grant receivable for financing costs | 0 |
| **Impact on Income and Expenditure Account** | **625** |
| **Share of overall impact credited to the HRA** | **0** |
| Decrease in fair value of "available-for-sale" investment assets – | 3 |
| Impact on MIRS | 3 |
| **Decrease in fair value of fixed rate investment assets –** | **0** |
| **(no impact on CIES & MIRS)** | |

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 £0.3m in an investment trust, which will only be realised in favourable circumstances. The Authority consequently has minimal exposure to losses arising from movements in the prices of the shares. The 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 £16,000 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. 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 2010 | Income | Expenditure | Balance at 31 March 2011 | | Represented by | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Cash / Other Balances | External Investment | Total |
| | £ | £ | £ | £ | | £ | £ | £ |
| **Environmental Services** | | | | | | | | |
| Red Lion Playing Field Trust | 2,166.34 | 7.24 | 0 | 2,173.58 | | 1,229.24 | 944.34 | 2,173.58 |
| F. Greenhalgh Prize | 77.27 | 0.46 | 0 | 77.73 | | 77.73 | 0 | 77.73 |
| Topps Trust Fund | 1,646.43 | 20.67 | 10.01 | 1,657.09 | | 1,657.09 | 0 | 1,657.09 |
| **Adult Services** | | | | | | | | |
| Workshops & Homes for the Elderly | 68,072.93 | 403.38 | 0 | 68,476.31 | | 68,476.31 | 0 | 68,476.31 |
| Blair Sick Fund | 10,833.27 | 168.06 | 0 | 11,001.33 | | 9,370.78 | 1,630.55 | 11,001.33 |
| **Children's Services** | | | | | | | | |
| Leigh Bramwell | 49,864.90 | 2,175.93 | 2,293.27 | 49,747.56 | | 10,788.83 | 38,958.73 | 49,747.56 |
| Westhoughton Education Trust | 20,978.16 | 755.49 | 200.00 | 21,533.65 | | 5,375.95 | 16,157.70 | 21,533.65 |
| Eagley Bridge | 8,892.05 | 65.86 | 0 | 8,957.91 | | 8,957.91 | 0 | 8,957.91 |
| **Total** | **162,531.35** | **3,597.09** | **2,503.28** | **163,625.16** | | **105,933.84** | **57,691.32** | **163,625.16** |

# 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.

| | 2010/11 £000s | 2009/10 £000s Re-stated |
|---|---|---|
| **Income** | | |
| Dwellings | 51,585 | 51,748 |
| Non-Dwelling | 329 | 314 |
| Charges for services and facilities | 503 | 447 |
| Contribution towards expenditure (from General Fund (note 6) | 2,813 | 788 |
| HRA Subsidy Receivable (note 5) | 618 | 7,387 |
| **Total Income** | 55,848 | 60,684 |
| **Expenditure** | | |
| Repairs and maintenance (note 3) | 13,948 | 15,049 |
| Supervision and management | 21,197 | 18,487 |
| Rents, rates, taxes and other charges | 193 | 200 |
| HRA Subsidy payable | 0 | 0 |
| Depreciation and impairments of non-current assets (note 10) | 249,447 | 27,188 |
| Debt management costs | 99 | 97 |
| **Total expenditure** | 284,884 | 61,021 |
| **Net Cost of HRA Services as included in the whole Authority Comprehensive Income and Expenditure Statement** | **229,036** | **337** |
| 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** | **229,036** | **337** |
| **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 | 397,402 | (377) |
| Interest payable and similar charges | 8,589 | 9,027 |
| Interest and investment income | (71) | (62) |
| **(Surplus) or deficit for the year on HRA services** | **634,956** | **8,925** |

## 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.

| | **2010/10 £000s** | **2009/10 £000s** |
|---|---|---|
| Balance on the HRA at the end of the previous reporting period | (6,491) | (3,336) |
| Surplus or Deficit on the HRA Income and Expenditure Statement | 634,956 | 8,925 |
| Adjustments between accounting basis and funding basis under regulation | (636,377) | (12,080) |
| Net increase or decrease before transfer to or from reserves | (1,421) | (3,155) |
| Transfer to or from reserves | 124 | 0 |
| (Increase) or decrease in year on the HRA | (1,297) | (3,155) |
| **Balance on the HRA at the end of the current accounting period** | **(7,788)** | **(6,491)** |

## Note to the Movement on the HRA Statement

| | **2010/11 £000s** | **2009/10 £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 | (250) | (250) |
| Difference between any other item of income and expenditure determined in accordance with the code and determined in accordance with statutory HRA requirements | 638 | 80 |
| Gain or loss on the sale of HRA non-current assets | (397,402) | 377 |
| HRA share of contribution to or from Pensions Reserve | 0 | 0 |
| Capital Expenditure funded by the HRA | 1,834 | 1,625 |
| Transfer to/from Major Repairs Reserve | (1,005) | (1,236) |
| Transfer to/from Capital Adjustment account | (240,192) | (12,676) |
| **Adjustment between accounting basis and funding basis under regulation** | **(636,377)** | **(12,080)** |

# 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.

| | **At 31 March 2011** | **At 31 March 2010** |
|---|---|---|
| Houses and Bungalows | 0 | 12,130 |
| Low Rise Flats and Maisonettes | 0 | 4,719 |
| Medium Rise Flats and Maisonettes | 0 | 1,062 |
| High Rise Flats and Maisonettes | 0 | 281 |
| | **0** | **18,192** |

## 2. Operational and Non-Operational Assets

| | **At 31 March 2011 £000s** | **At 31 March 2010 £000s** |
|---|---|---|
| **Operational Assets** | | |
| Dwellings | 0 | 634,145 |
| Buildings | 1,630 | 5,112 |
| | 1,630 | 639,257 |
| **Non Operational** | | |
| Equipment | 0 | |
| | | 614 |
| Land | 0 | 175 |
| **Total** | **1,630** | **640,046** |

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

The open market value of council dwellings at 31 March 2010 is £1,128m, compared to £1,309.5m as at 31 March 2009. Vacant possession value when compared with existing use value is a measure of the economic cost of government guidelines on rent and legal requirements on the discounts on sale of properties to tenants.

## 3. Housing Repairs Account

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

| | 2010/11 £000s | 2009/10 £000s |
|---|---|---|
| Balance at Beginning of Year | 0 | 0 |
| Add | | |
| Revenue Contribution | 12,341 | 13,090 |
| | 12,341 | 13,090 |
| Less: Expenditure in the Year | | |
| Responsive Repairs | 12,341 | 13,090 |
| **Balance at End of Year** | **0** | **0** |

In 2010/2011 other maintenance work totalling £443k had been undertaken. The client cost of managing the R&M programme (£1,164k) has now also been reflected under Repairs and Maintenance Costs. This gives overall R&M costs of £13,948k.

## 4. Rent Arrears

| | At 31 March 2011 £000s | At 31 March 2010 £000s |
|---|---|---|
| Current Tenants | 0 | 852 |
| Former Tenants | 0 | 872 |
| **Total Arrears at 31 March** | **0** | **1,724** |

As part of the agreement for the transfer of the Council's housing stock, current and former tenants arrears (£1,844k) have been assigned to Bolton at Home Limited.

## 5. Housing Revenue Account Subsidy

The subsidy due for the year is detailed below:

| | At 31 March 2011 £000s | At 31 March 2010 £000s |
|---|---|---|
| Management and Maintenance & Rent Allowance | (24,355) | (22,779) |
| Charges for Capital | 4,097 | 4,430 |
| Major Repairs Allowance (see also note 9) | 8,250 | 13,276 |
| ALMO revenue subsidy | 12,605 | 12,605 |
| | 597 | 7,532 |
| Prior Year Adjustment | 21 | (145) |
| **Total Subsidy Due for the Year** | **618** | **7,387** |

## 6. Contribution from General Fund

This represents the contribution towards the cost of Grounds Maintenance undertaken on Council Estates which is for the benefit of the whole community (£612k). There was also a contribution from the Councils Area Based Grant (ABG) of £210k towards the running of the UCAN buildings on some estates. This also includes £1.990m Department for Communities and Local Government contribution towards the Stock transfer costs.

## 7. Capital Expenditure 2010/11

Capital expenditure for the year totalled £19,609k and has been financed as follows:

| | 2010/11 £000s | 2009/10 £000s |
|---|---:|---:|
| Loans | 5,750 | 5,900 |
| Major Repairs Allowance (See also note 9) | 8,250 | 13,276 |
| Capital Receipts | 1,252 | 504 |
| Grants | 1,045 | 0 |
| Revenue | 1,834 | 1,625 |
| Change in Capital Creditors | 1,478 | (574) |
| **Total Capital Expenditure** | **19,609** | **20,731** |

Capital Expenditure was incurred over the following assets:

| | 2010/11 £000s | 2009/10 £000s |
|---|---:|---:|
| Council Housing | 19,438 | 20,731 |
| Non-operational Assets | 171 | 0 |
| **Total Capital Expenditure** | **19,609** | **20,731** |

## 8. Capital Receipts 2010/11

The following capital receipts were received in the year:

| | 2010/11 £000s | 2009/10 £000s |
|---|---:|---:|
| Sale of Dwellings | 3,160 | 1,566 |
| Sale of Land | 0 | 30 |
| Other property | 0 | 70 |
| **Total Capital Receipts** | **3,160** | **1,666** |

## 9. Major Repairs Account

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

| | 2010/11 £000s | 2009/10 £000s |
|---|---|---|
| Balance at Beginning of Year | 0 | 0 |
| Add: depreciation charged to HRA (see Note 10) | 9,255 | 14,512 |
| Add: Difference between Major Repairs allowance and depreciation charged to revenue | (1,005) | (1,236) |
| | 8,250 | 13,276 |
| Less: Expenditure in the Year | | |
| Contribution to capital programme | 8,250 | 13,276 |
| **Balance at End of Year** | **0** | **0** |

At year end, the depreciation charge was higher than the Major Repairs Allowance. Government rules require that depreciation charges for the year and the difference between the depreciation charges (£9,255m) and the Major Repairs Allowance (£8,250m) is transferred to the Major Repairs Reserve in order to ensure it is used to fund capital works. Therefore the higher depreciation charges have a neutral effect on the Housing Revenue Account.

## 10. Depreciation Charges

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

| | 2010/11 £000s | 2009/10 £000s |
|---|---|---|
| Operational Assets : dwellings | 8,736 | 13,958 |
| Operational Assets : other land & buildings | 176 | 152 |
| | 8,912 | 14,110 |
| Equipment | 343 | 402 |
| **Total Depreciation Charged** | **9,255** | **14,512** |

The depreciation policy remains the same as that used in 2009/10.

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

- Equipment is depreciated based over a useful life of 5 years

The depreciation and impairment of fixed assets include a downward revaluation or impairment totalling £241,277K, this amount has been applied to reduce the net book value of council dwellings and operational buildings to reflect falling prices and consumption of economic benefit. It also includes (£1.085k) grant applied in the year.

# 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 | 2010/11<br>£'000s | 2009/10<br>£'000s |
|---|---|---|---|
| **Income** | | | |
| Council Tax | 1 | 95,028 | 93,287 |
| Transfers from General Fund: | | | |
| Council Tax Benefit | | 23,818 | 22,821 |
| Business Rates | 2 | 76,247 | 83,567 |
| | | 195,093 | 199,675 |
| **Expenditure** | | | |
| Precepts and Demands | 3 | 117,834 | 114,113 |
| Business Rates: | | | |
| Payment to National Pool | | 75,598 | 83,063 |
| Cost of Collection Allowance | | 400 | 405 |
| Interest on Refunds | | 249 | 99 |
| Council Tax Bad and Doubtful Debts / Appeals: | | | |
| Provisions | | 2 | 454 |
| Write Offs | | 714 | 675 |
| Contribution towards Previous Years' Estimated Collection Fund Surplus | | 0 | 0 |
| | | 194,797 | 198,809 |
| Surplus/(Deficit) for the Year | | 296 | 866 |
| Surplus at Beginning of Year | | 866 | 0 |
| **Surplus at End of Year** | | **1,162** | **866** |

# 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 2010/11 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 | 51,912 | 6/9 | 34,608 | 41.0% |
| Band B | £40,000 to £52,000 | 17,977 | 7/9 | 13,982 | 16.6% |
| Band C | £52,001 to £68,000 | 16,284 | 8/9 | 14,475 | 17.2% |
| Band D | £68,001 to £88,000 | 9,324 | 1 | 9,324 | 11.0% |
| Band E | £88,001 to £120,000 | 4,859 | 11/9 | 5,939 | 7.0% |
| Band F | £120,001 to £160,000 | 1,992 | 13/9 | 2,877 | 3.4% |
| Band G | £160,001 to £320,000 | 1,639 | 15/9 | 2,732 | 3.2% |
| Band H | More than £320,000 | 192 | 18/9 | 384 | 0.5% |
| Total | | 104,300 | | 84,388 | 100.0% |

Estimated collection rate 98%

Council Tax base for tax setting 2010/11 82,700

* 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 (40.7p in 2010/11, compared to 48.1p in 2009/10) 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 | | 90,347 |
| Less: Transitional and Other Relief Arrangements | | (13,075) |
| | | 77,272 |
| Less: Bad Debts / Provision for Bad Debts | | (1,025) |
| | | 76,247 |
| Cost of Collection Allowance | (400) | |
| Interest on Refunds | (249) | (649) |
| **Net Contribution to N.N.D.R. Pool** | | **75,598** |

The NNDR rateable value for the Council's area at the 31 March 2011 was £232,972,820 compared to £207,441,233 at the 31 March 2010.

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 £111,412,373 in 2010/11 (approximately £417.23 per head of a population of 267,027). 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 2010/11, with the figures for 2009/10 for comparison:

| | 2010/11 | 2009/10 |
|---|---|---|
| | £'000 | £'000 |
| Bolton M.B.C. Demand | 101,428 | 98,853 |
| Greater Manchester Police Authority Precept | 12,020 | 11,037 |
| Greater Manchester Fire and Civil Defence Authority Precept | 4,386 | 4,223 |
| **Total Demands and Precepts** | **117,834** | **114,113** |

**Business improvement district**

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

**BID Income and Expenditure Account**

| | 2010/11 £000s | 2009/10 £000s |
|---|---|---|
| **Income** | | |
| BID levy | 409 | 395 |
| **Expenditure** | | |
| Payments to IEP BID Ltd | 390 | 386 |
| Provision for bad debt | 11 | 5 |
| Write Offs | 15 | 19 |
| | 416 | 410 |
| Surplus/(Deficit) for the Year | (7) | (15) |
| Surplus at Beginning of Year | (7) | 8 |
| **Surplus (Deficit) at End of Year** | **(14)** | **(7)** |

## BID cost of collection Income and Expenditure Account

| | 2010/11 £000s | 2009/10 £000s |
|---|---|---|
| **Income** | | |
| BID Admin costs invoiced to IEP BID Ltd | 11 | 11 |
| Recovery costs raised | 3 | 8 |
| | 14 | 19 |
| **Expenditure** | | |
| Staffing | 9 | 10 |
| BID Software/Maintenance | 2 | 2 |
| Provision for bad debt | 3 | 7 |
| | **14** | **19** |

## GROUP ACCOUNTS

### 1 Bolton at Home Ltd

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

This is the last year Bolton at Home accounts are included within the Group Accounts as the organisation became totally independent from the Council on 28 March 2011 when the Large Scale Voluntary Transfer of housing stock took place.

**Group Revenue Account**

The accounts for Bolton at Home Ltd covering the twelve months to 31 March 2011, subject to audit, show a net profit of £1.538m for the year on turnover of £47.0m and net book value of £2.8m (before FRS17 Pensions adjustment). In the previous 12 month period to 31 March 2010 the company had a turnover of £47.2m and made a profit of £584k.

Although the consolidation of Bolton at Home transactions into the Bolton MBC accounts makes no material difference to the cost of services in itself, the difference in convention on which the two sets of accounts are prepared necessitates the introduction of FRS17 adjustment for Bolton at Home Ltd restatement.

Copies of the Bolton at Home Ltd Annual Report and Financial Statement are available from:

S.J. Taylor (Company Secretary)
1-3 The Court Yard
St Peters Business Park
Calvin Street, Bolton BL1 8PB

## Group Movement in Reserve Statement (for years ending 31 March 2010 and 2011)

| | BMBC Total Usable Reserves | BMBC Total Unusable Reserves | Total BMBC Reserves | Authority Share Reserves Group Accounts | Total Reserves including Group |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000s |
| **Balance at 31 March 2009** | **(68,297)** | **(593,935)** | **(662,232)** | **6,657** | **(655,575)** |
| **Movement in reserves during 2009/10** | | | | | |
| (Surplus)/deficit on provision of services | 4,918 | 0 | 4,918 | (585) | 4,333 |
| Other Comprehensive Income and Expenditure: | | | | | |
| Revaluation Gains | 0 | (8,010) | (8,010) | 0 | (8,010) |
| Impairment losses (chargeable to revaluation reserve) | 0 | 359 | 359 | 0 | 359 |
| Movement in pensions reserve | 0 | 257,100 | 257,100 | 37,472 | 294,572 |
| **Total Comprehensive Income and Expenditure** | **4,918** | **249,449** | **254,367** | **36,887** | **291,254** |
| **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) | (19,449) | 32,728 | 13,279 | 0 | 13,279 |
| Excess of depreciation charged to HRA services over MRA element of housing subsidy | (1,236) | 1,236 | 0 | 0 | 0 |
| Impairment/revaluation losses (charged to I&E) | (23,327) | 23,341 | 14 | 0 | 14 |
| Movement in market value of investment property | 1,225 | (1,225) | 0 | 0 | 0 |
| Capital grants and contributions | 22,001 | (22,000) | 1 | 0 | 1 |
| Revenue expenditure funded by capital under statute | 148 | 749 | 897 | 0 | 897 |
| Profit/loss on sale of non-current assets | (11,441) | 11,184 | (257) | 0 | (257) |
| Net retirement benefits per IAS 19 (FRS17) | (29,400) | 29,400 | 0 | 0 | 0 |

| | Total Usable Reserves | Unusable Reserves | Total Authority Reserves | Authority Share Reserves Group Accounts | Total Reserves including Group |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Difference in statutory debits/credits and amounts recognised as income and expenditure in the Financial Statement e.g. Soft Loans | (4) | 4 | 0 | 0 | 0 |
| Gain/loss on revaluation of available for sale financial instruments | 0 | (56) | (56) | 0 | (56) |
| 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 | 750 | (750) | 0 | 0 | 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) | 10,324 | (10,458) | (134) | 0 | (134) |
| Statutory Repayment of Debt (Finance Lease Liabilities) | 0 | (312) | (312) | 0 | (312) |
| Statutory Repayment of Debt (PFI) | 0 | (262) | (262) | 0 | (262) |
| Voluntary Provision above MRP | 707 | 0 | 707 | 0 | 707 |
| HRA capital receipts to housing central pool | 0 | 0 | 0 | 0 | 0 |
| Employers contributions to pensions schemes | 24,400 | (24,400) | 0 | 0 | 0 |
| Revenue contributions to finance capital spend | 3,450 | (16,727) | (13,277) | 0 | (13,277) |
| **Other adjustments include:** | | | | | |
| Use of capital receipts reserve to finance capital expenditure | 5,024 | (5,024) | 0 | 0 | 0 |
| Transferred debt repayment | 0 | 84 | 84 | 0 | 84 |
| **Total adjustments** | **(16,828)** | **17,512** | **684** | **0** | **684** |

| | Total Usable Reserves | Unusable Reserves | Total Authority Reserves | Authority Share Reserves Group Accounts | Total Reserves including Group |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | **(11,910)** | **266,961** | **255,051** | **36,887** | **291,938** |
| **Transfers to/from Earmarked Reserves:** | | | | | |
| All other movements in reserves | (4,663) | 6,810 | 2,147 | 0 | 2,147 |
| Compensated absences | 1,051 | (1,051) | 0 | 0 | 0 |
| **Total earmarked reserve movements** | **(3,612)** | **5,759** | **2,147** | **0** | **2,147** |
| **Increase/Decrease movement in the year** | **(15,522)** | **272,720** | **257,198** | **36,887** | **294,085** |
| **Balance at 31 March 2010 carried forward** | **(83,819)** | **(321,215)** | **(405,034)** | **43,544** | **(361,490)** |

| | Total Usable Reserves | Unusable Reserves | Total Authority Reserves | Authority Share Reserves Group Accounts | Total Reserves including Group |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Balance at 31 March 2010 carried forward** | **(83,819)** | **(321,215)** | **(405,034)** | **43,544** | **(361,490)** |
| (Surplus)/deficit on provision of services | 524,329 | 0 | 524,329 | (12,709) | 511,620 |
| Other Comprehensive Income and Expenditure: | | | | | |
| Revaluation Gains | 0 | (10,135) | (10,135) | 0 | (10,135) |
| Impairment losses (chargeable to revaluation reserve) | 0 | 230 | 230 | 0 | 230 |
| Movement in pensions reserve | 0 | (187,600) | (187,600) | (30,174) | (217,774) |
| **Total Comprehensive Income and Expenditure** | **524,329** | **(197,505)** | **326,824** | **(42,883)** | **283,941** |
| **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) | 12,010 | (8,250) | 0 | (8,250) |
| Excess of depreciation charged to HRA services over MRA element of housing subsidy | (1,032) | 1,032 | 0 | 0 | 0 |
| Impairment/revaluation losses (charged to I&E) | (259,695) | 259,465 | (230) | 0 | (230) |
| Movement in market value of investment property | (2,303) | 2,303 | 0 | 0 | 0 |
| Movement in value of held for sale assets | 0 | (19) | (19) | 0 | (19) |
| Capital grants and contributions | 33,969 | (33,969) | 0 | 0 | 0 |
| Revenue expenditure funded by capital under statute | (4,494) | 4,494 | 0 | 0 | 0 |
| Profit/loss on sale of non-current assets | (416,463) | 414,229 | (2,234) | 0 | (2,234) |
| Net retirement benefits per IAS 19 (FRS17) | 57,400 | (57,400) | 0 | 0 | 0 |

| | Total Usable Reserves | Unusable Reserves | Total Authority Reserves | Authority Share Reserves Group Accounts | Total Reserves including Group |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Difference in statutory debits/credits and amounts recognised as income and expenditure in the Financial Statement e.g. Soft Loans | 0 | 0 | 0 | 0 | 0 |
| Gain/loss on revaluation of available for sale financial instruments | (5) | 5 | 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 | 244 | (250) | (6) | 0 | (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) | 0 | 0 | 0 |
| Statutory Repayment of Debt (Finance Lease Liabilities) | 448 | (448) | 0 | 0 | 0 |
| Statutory Repayment of Debt (PFI) | 277 | (277) | 0 | 0 | 0 |
| Voluntary Provision above MRP | 0 | 0 | 0 | 0 | 0 |
| HRA capital receipts to housing central pool | 2,234 | 0 | 2,234 | 0 | 2,234 |
| Employers contributions to pensions schemes | 24,300 | (24,300) | 0 | 0 | 0 |
| Revenue contributions to finance capital spend | 4,556 | 3,694 | 8,250 | 0 | 8,250 |
| **Other adjustments include:** | | | | | |
| Use of capital receipts reserve to finance capital expenditure | 7,148 | (7,148) | 0 | 0 | 0 |
| Use of capital grants reserve to finance capital expenditure | 253 | (253) | 0 | 0 | 0 |
| Repayment of debt by DCLG relating to the LSVT | 0 | (285,216) | (285,216) | 0 | (285,216) |
| Transferred debt repayment | 0 | 69 | 69 | 0 | 69 |
| Adjustment between CAA and Revaluation Reserve for depreciation related to revaluation balance rather than historic cost | 0 | 1 | 1 | 0 | 1 |
| Transfer of reserves to Bolton at Home | 0 | 0 | 0 | (661) | (661) |
| **Total adjustments** | **(562,308)** | **276,907** | **(285,401)** | **(661)** | **(286,062)** |

| | Total Usable Reserves | Unusable Reserves | Total Authority Reserves | Authority Share Reserves Group Accounts | Total Reserves including Group |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | **(37,979)** | **79,402** | **41,423** | **(43,544)** | **(2,121)** |
| **Transfers to/from Earmarked Reserves:** | | | | | |
| All other movements in reserves | (60) | 60 | 0 | 0 | 0 |
| Compensated absences | (320) | 320 | 0 | 0 | 0 |
| **Total earmarked reserve movements** | **(380)** | **380** | **0** | **0** | **0** |
| **Increase/Decrease movement in the year** | **(38,359)** | **79,782** | **41,423** | **(43,554)** | **(2,121)** |
| **Balance at 31 March 2011 carried forward** | **(122,178)** | **(241,433)** | **(363,611)** | **0** | **(363,611)** |

## Group Comprehensive Income and Expenditure Statement

| 31 March 2010 | | 31 March 2011 | | |
|---|---|---|---|---|
| £000s | | £000s | £000s | £000s |
| **Net** | | **Expenditure** | **Income** | **Net** |
| 220,809 | General Fund Services | 677,412 | 429,463 | 247,949 |
| (1,457) | Local authority housing (HRA) | 332,073 | 102,625 | 229,448 |
| 4,739 | Corporate and democratic core | 6,282 | 1,046 | 5,236 |
| 16,590 | Non distributed costs | 27,052 | 32,392 | (5,340) |
| 0 | Exceptional Item * | (97,100) | 0 | (97,100) |
| 240,681 | **Cost of Services** | **945,719** | **565,526** | **380,193** |
| | **Other Operating Expenditure** | | | |
| (1,012) | Loss on disposal of property, plant and equipment | | | 399,150 |
| 8,971 | Disposal of Academy assets | | | 3,427 |
| 1,050 | Housing Capital Receipts Pool | | | 2,234 |
| 374 | Parish Precepts | | | 374 |
| | **Financing and Investment Income** | | | |
| (454) | Movement on investment property | | | 2,303 |
| 1,012 | Trading Account (Surplus)/Deficit | | | 143 |
| 16,361 | Interest Payable | | | 16,269 |
| (3,211) | Interest and Investment Income | | | (3,478) |
| 15,583 | Pension interest cost and return on assets | | | 11,229 |
| | **Taxation and Non-specific grant income** | | | |
| (24,098) | Capital grants | | | (40,224) |
| (98,853) | Demand on Collection Fund | | | (100,677) |
| (750) | Collection Fund adjustment account | | | (1,000) |
| (50,496) | General Government Grants | | | (46,911) |
| (100,608) | Non-Domestic Rates | | | (111,412) |
| **4,550** | **(Surplus) or Deficit for the year** | | | **511,620** |

| 31 March 2010 £000s | | 31 March 2011 £000s | £000s | £000s |
|---|---|---|---|---|
| (7,652) | Surplus or deficit on revaluation of property, plant and equipment | | | (9,905) |
| 294,356 | Actuarial gains/losses on pension assets/liabilities | | | (217,774) |
| **291,254** | **Total Comprehensive Income and Expenditure** | | | **283,941** |

***** 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.

## Group Balance Sheet

| Restated 1 April 2009 £000s | Restated 31 March 2010 £000s | | 31 March 2011 £000s |
|---:|---:|---|---:|
| **1,272,718** | **1,272,308** | **Long Term Assets** | **654,939** |
| | | | |
| | | **Current Assets** | |
| 17,000 | 26,432 | Short Term Investments | 53,752 |
| 797 | 602 | Inventories | 814 |
| 37,813 | 38,546 | Short Term Debtors | 39,881 |
| 3,389 | 4,650 | Prepayments | 3,995 |
| 4,398 | 10,447 | Cash and Cash Equivalents | 4,279 |
| 1,351 | 2,031 | Assets held for sale (less than 1 year) | 955 |
| **64,748** | **82,708** | | **103,676** |
| | | **Current Liabilities** | |
| (58,338) | (114,135) | Short Term Borrowing | (5,774) |
| (62,758) | (64,988) | Short Term Creditors | (83,212) |
| (5,038) | (8,861) | Provisions for current liabilities | (3,341) |
| **(126,134)** | **(187,984)** | | **(92,327)** |
| | | **Long Term Liabilities** | |
| (11,545) | (13,374) | Provisions for long term liabilities | (10,611) |
| (328,653) | (260,583) | Long Term Borrowing | (72,996) |
| (23,765) | (24,299) | Other Long Term Liabilities | (23,555) |
| (174,600) | (436,700) | Net pensions liability | (167,400) |
| (10,538) | (27,042) | Capital Grants Receipts in Advance | (28,115) |
| **(549,101)** | **(761,998)** | | **(302,677)** |
| | | | |
| **662,231** | **405,034** | **Net Assets** | **363,611** |
| | | | |
| | | **Represented by:** | |
| 68,296 | 83,819 | Usable Reserves | 122,178 |
| 593,935 | 321,215 | Unusable Reserves | 241,433 |
| | | | |
| **662,231** | **405,034** | **TOTAL RESERVES** | **363,611** |

## Group Cash Flow Statement

| 31 March 2010 £000s | | Note | 31 March 2011 £000s |
|---|---|---|---|
| 4,918 | Net (surplus) or deficit on the provision of services | | 524,329 |
| 114,478 | Adjustments to net (surplus) or deficit on the provision of services for non-cash movements | | (403,534) |
| (28,408) | Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities | | (25,837) |
| 90,988 | Net cash flows from Operating Activities | **20** | 94,958 |
| (71,693) | Investing Activities | **21** | (92,052) |
| (13,311) | Financing Activities | **22** | (9,101) |
| 5,984 | Net increase or decrease in cash and cash equivalents | | (6,195) |
| 4,496 | Cash and cash equivalents at the beginning of the reporting period | | 10,480 |
| **10,480** | **Cash and cash equivalents at the end of the reporting period** | **15** | **4,285** |

# Statement of Responsibilities for the Accounts

**The Authority's Responsibilities**

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Corporate Resources.

- to manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.

- to approve the Statement of Accounts.

**The Director of Corporate Resource's Responsibilities**

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

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

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the local authority Code.

The Director of Corporate Resources has also:

- kept proper accounting records which were up to date;

- taken reasonable steps for the prevention and detection of fraud and other irregularities;

The Statement of Accounts gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2011.

Stephen M Arnfield
Director of Corporate Resources
30 June 2011

# Annual Governance Statement

**Scope of responsibility:**

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

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

Bolton Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.bolton.gov.uk/Council&Democracy or can be obtained from The Director of Chief Executive's Department. This statement explains how Bolton Council has complied with the code and also meets the requirements of 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 2011 and up to the date of approval of the statement of accounts.

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

- Legal, policy and procedural requirements are incorporated in the Council's Constitution and supporting documentation. Compliance is enforced by a range of measures including: Executive reporting, Member scrutiny, external inspection and audit, performance management and benchmarking, management oversight, internal audit and physical and procedural controls.
- The Council has a robust process for member development which identifies individual needs and action plans for development.
- The Council has a well developed performance management process which identifies clear targets against agreed priorities, monitors and reports performance and, where necessary implements improvement actions.
- The Council has a well established process of Risk Management including an annual review of strategic risks, an assessment of the likelihood and potential impact of risks and a register which records the 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), and the Role of the Head of Internal Audit in the Public Sector.
- Value for Money is promoted across the organisation through the Council's Corporate Planning Business Process. The council has in place a timetable for formal value for money reviews or studies and further reviews arising through other means e.g. scrutiny, customer feed back, benchmarking, inter-authority initiatives.
- Protocols are in place to manage the many partnership arrangements that the Council has.
- The financial management of the authority is structured through Financial Regulations and financial Standing Orders, which are subject to regular review and approval a framework of regular management information, administrative procedures (including division of duties), management supervision and a system of delegation and accountability support these. Such procedures seek to ensure that transactions are authorised and that material errors or irregularities are either prevented or would be detected within a timely period.
- The Council has established an Audit Committee which has responsibility for providing assurance on the authority's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance
- The Council has in place an Investigations Panel which reviews and coordinates all investigations undertaken to ensure good practice is shared, any sanctions are consistent, and the organisation learns from the experience.
- Standards Committee has set up a process for local assessment of allegations of failure to comply with the Code of Conduct for Members, this process has been used.

  The appointment of Senior Information Risk Owner (SIRO) and production of wide ranging guidance on information security on a discrete intranet page.

**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), and the Role of the Head of Internal Audit in the Public Sector.

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

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

**Significant governance issues:**

The review process has not identified any significant governance issues for the relevant period and this is consistent with the external inspection scores received by the council. The Council has continued to develop further good practice during 2010/11.

The 2010/11 process has not identified any significant issues that the council feels necessary to highlight in this statement.

The council faces significant pressures during 2011/12 around budget and service changes as well as changes to legislation. The Localism Bill proposes the removal of Standards Committees which will impact on governance. 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 2011 on pages 7 to 124. The financial statements have been prepared under applicable law and the accounting policies set out in the Statement of Accounting Policies.

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 Director of Corporate Resources and auditor**

As explained more fully in the Statement of the Director of Corporate Resources Responsibilities, set out on page 125, the Director of Corporate Resources is responsible for the preparation of financial statements which 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 Group's and the Authority's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Director of Corporate Resources; 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 Group and of the Authority as at 31 March 2011 and of the Group's and 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 2010/11.

**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 governance statement set out on pages 126 to 128 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(3) 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 2010, 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 2011.

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 2010, 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 2011.

Tim Cutler

**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*
*St James' Square*
*Manchester*

30 September 2011

# 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.

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

**COLLECTION FUND**
A statutory account maintained by the Authority responsible for collecting Council Tax. Income received from taxpayers is held in this account and distributed to precepting authorities.

**COMMUNITY ASSETS**
Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

**CORPORATE AND DEMOCRATIC CORE**
These are the activities which Councils engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same service. These costs are therefore not allocated to services.

**CREDITORS**
Amounts owed by the Council for work done, goods received or services rendered for which payment has not been made.

**DEBTORS**
Sums of money due to the Council

**DEFERRED CHARGES**
Capital expenditure where no Council asset is created, e.g. improvement grants. These charges are usually written-off in the year in which they are incurred.

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

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

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

substantially all of the fair value of the leased asset.

**FINANCIAL INSTRUMENTS**
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term “financial instrument” covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities, such as trade receivables and trade payables, and the most complex ones such as derivatives and embedded derivatives.
**GENERAL FUND**
The main revenue account for the Council in to which the Council’s precept from the Collection Fund and specific government grants are paid, and from which the cost of providing services is met.
**GOVERNMENT GRANTS**
Assistance by government, government agencies and similar bodies, in return for past or future compliance with certain conditions relating to the activities of the Authority.
**HISTORIC COST**
The actual cost of assets, goods, or services at the time of their acquisition.
**HOUSING REVENUE ACCOUNT (HRA)**
The Housing Revenue Account deals with the provision of Council houses and flats. There is a statutory requirement to keep this account separate from those for other housing activities.
**IMPAIRMENT**
A reduction in the value of a fixed asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset’s market value and evidence of obsolescence or physical damage to the asset.
**INFRASTRUCTURE ASSETS**
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.