

# Statement of Accounts

2016/17





## **Contents**

Narrative Report by the Borough Treasurer.....	1
Expenditure and Funding Analysis .....	16
Comprehensive Income and Expenditure Statement.....	17
Movement in Reserves Statement.....	18
Balance Sheet.....	20
Cash Flow Statement .....	22
Notes to the Core Financial Statements .....	23
Group Accounts .....	108
Collection Fund .....	116
Notes to the Collection Fund Accounts.....	117
Statement of Responsibilities for the Accounts.....	118
Annual Governance Statement .....	119
Independent auditor's report to the members of Bolton Metropolitan Borough Council .....	126
We have nothing to report in respect of these matters.....	127
Conclusion on Bolton Metropolitan Borough Council's arrangements for securing economy, efficiency and effectiveness in its use of resources .....	127
Glossary of Terms.....	129

## **Narrative Report by the Borough Treasurer**

### **Introduction**

The narrative gives the reader an overall impression of

- The current Council structure (both politically and managerially)
- A summary of the Council's financial performance in 2016/17 including how money is spent and where it comes from
- The key developments during the 2016/17 financial year
- What significant issues impact on the accounts and are likely to impact in the future

This is all set against a background of continuing savings requirements, in order to produce a balanced budget each year.

### **Overview of 2016/17**

#### **Department of People**

The Better Care Fund (BCF) is a programme spanning both the NHS and local government. It was created to improve the lives of some of the most vulnerable people in our society, placing them at the centre of their care and support, and providing them with 'wraparound' fully integrated health and social care, resulting in an improved experience and better quality of life. The BCF collaboration has embedded throughout 2016/17 and continues to enable the four partners to work closely together, to help local areas to plan and implement seamless health and social care services across England in line with the vision outlined in the NHS Five Year Forward View.

Over the last year, Bolton has continued to make good progress with the schemes funded by the BCF and further expansion is expected to these through the Transformation fund investment in Bolton as described above. All the schemes have continued to progress such as; Integrated Intermediate Tier services; Bed based care and Home support pathways now aligned to Admission avoidance, deflecting away from unnecessary hospital admissions and supporting people out of hospital in a timely manner. The Integrated Neighbourhood Teams are in place across the borough and have moved to three district areas, focussing on those individuals with the most complex needs, to care plan proactively with primary care, to enable people to stay well and in their own homes wherever possible. In addition this year investment through BCF and winter resilience resources resulted in the Health and Social care system introducing a 'Discharge to Assess' bed based model to support hospital discharge and reduce delayed transfers of care, this has been supported through the development of a fully Integrated Hospital Discharge Team.

All the BCF schemes are subject to a process of continuous evaluation and improvement and oversight through the Joint commissioning Board and will be progressing the integrated commissioning arrangements in readiness to increase the pooled budget arrangements in managing the Transformation Fund and iBCF in 2017/18.

The Multi-Agency Screening & Safeguarding Service (MASSS) has been operational since November 2015. This is the multi-agency front door for all contacts and referrals about children. It includes the 3 Referral & Assessment Social Work Teams, the Public Protection Investigation Unit (PPIU) Bolton division of Greater Manchester Police, 2 health lead practitioners and the Safeguarding in Education Officer. This single point of access and a consistent point of contact for referrals about children at risk of harm or in need of assessment has increased consistency, reduced duplication and improved timeliness for child protection enquiries. The MASSS sits within the developing Early Help & Complex Families Hub that includes representation from Family First, Community Safety, Integrated Services Manager and the Adults Safeguarding Team. The Hub will soon have a Hub Manager in post whose role it will be to drive Early Help processes with partner agencies, to ensure appropriate step up and step down processes and to reduce demand on the front door of Council Services. The MASSS was nominated and awarded the Partnership Award at Bolton Best Awards in December 2016.

In August 2015 the Council agreed to the creation of a Local Authority Trading Company (LATC) to deliver certain Adult Social Care Services. In September 2015, three companies were registered at Companies House:

- Bolton Care and Support Limited
- Bolton Care and Support (A) Limited
- Bolton Care and Support (B) Limited

The three companies are guaranteed by shares, each Company has 1 share with a value of £10 and these have been fully paid by the Council.

In July 2016, Bolton Care and Support Limited and Bolton Care and Support (A) Limited started to trade and Council staff were TUPE'd into Bolton Care and Support (A) Limited.

During the year the names of two of the companies has changed as follows:

- Bolton Care and Support (A) Limited is now Bolton Cares (A) Limited
- Bolton Care and Support (B) Limited is now Bolton Cares (B) Limited

The three companies are collectively known as Bolton Cares.

Bolton Cares (B) Limited remains dormant.

The Bolton Health and Care Locality Plan is a whole system strategic document which sets out the local vision and aims which directly support the development and delivery of the Greater Manchester (GM) Devolution programme. The plan sets out the two key high level outcomes within the local vision:

- the delivery of real improvements in health and wellbeing for the population of Bolton
- moving towards financial and clinical sustainability across Bolton and Greater Manchester

During this financial year the Council has been working collaboratively with Partners across the Health economy and the voluntary sector to develop the Plan. Together, themes have been identified and individual subgroups have been created to enable delivery. In Autumn 2016, Bolton submitted a bid against the Greater Manchester Transformation Fund for £49.8m. It was confirmed in March 17 that Bolton, as a

Locality, has successfully secured £28.8m and is actively progressing the schemes identified in the plan across Health and Social care.

These include the expansion of a prevention offer as part of the success of Staying Well, and early intervention through increasing community asset navigators in the community and voluntary sector. Moving forward the support to Hospital Discharge through an enhanced discharge to assess home model, support to care homes and increased use and availability of assistive technology to support people to remain at home safely. These initiatives build on the positive foundations created in the Better Care Fund and pooled budget arrangements in Bolton.

### **Public Health**

As part of Government action on deficit reduction, Bolton's Public Health Grant, for the last two years, was reduced by £1.862m. With such a significant level of reduction in funding, applying a universal reduction across all commissioned or delivered Public Health and Council services would have been ineffective. Such an approach would have potentially reduced some commissioned/delivered services to such a degree that they became unstable and/or unable to focus resource on those critical priorities which deliver the best return on investment. To ensure that the Public Health Grant delivered maximum population level benefit, the Public Health team developed an evidence-based framework to prioritise investment. The team identified key criteria; applied these to the current spend to create a re-profiled programme of interventions and used them to inform commissioning intentions.

Closing the inequalities and life expectancy gaps are key priorities across the Bolton Health and Care economy. Both feature heavily in the Health and Wellbeing Strategy, the Locality Plan and the refreshed Economic Strategy. Therefore the differential impact on health inequalities was given the greatest weighting in the methodology. Other criteria used were the extent to which programmes contributed to a reduction in rates of disease and premature mortality, the potential return on investment, the evidence base and whether the service was mandated in the Health and Social Care Act 2012. Using this approach, all public health investments for 2016/17 were assessed and prioritised, ensuring that the reduced budget delivered best outcomes for Bolton's population.

### **Department of Place**

Consent was granted in 2014 to open up the Victorian Vaults on the bottom floor of the Market Place and to construct a cinema at the Market Place. At the end of financial year 2015/16 the first two establishments opened in the restaurant area of the Vaults. The Market Place has continued to be transformed during 2016/17 with a further three establishments opening in the Vaults and the opening of the Light Cinema in October 2016. The continued transformation of the Market Place which will take the department into 2017/18 is in process.

The highly successful 2016 events programme was delivered which included the largest Ironkids event in the world followed by Ironman in July 2016 and Bolton's Food and Drink Festival in August 2016 which attracted 263,000 visitors.

The Public Realm Improvement Programme focussing on Newport Street and a customer's physical journey across the town centre gathered pace during 2016/17 with drainage works completed, paving works commenced and Phases 1A, 1B, 1C,

1D and 2C of the Newport Street shop front improvement scheme reaching practical completion during 2016/17.

The Albert Halls refurbishment programme was completed and the building was formally handed back to the council on 5 December 2016. The development of Bolton Interchange continued throughout the year and the new facility will open in Summer 2017. The adjacent Bolton Central development reached practical completion in March 2017.

Development at Logistics North continued with Aldi choosing Bolton as the location for their main distribution centre and two other major international companies – Whistl and Lidl - announced as new occupiers.

The resurfacing of St Peters Way – the biggest single Highways capital scheme of 2016/17- was completed 3 weeks earlier than expected with minimum disruption. Progress continued to be made with the LED street-lighting programme. At end of March 2017, almost 21,666 lights in 3,529 streets had been upgraded since the rollout began in April 2015. 70 tonnes – 75% recycled – of existing lanterns have been recycled, complying with the current Waste Electrical and Electronic Equipment Directive (WEEE) regulations. Work is on target to finish in 2018.

Work to re-develop Horwich Leisure Centre started on 20 June 2016. The project remains on track. Communication and consultation with all stakeholders is on-going throughout the re-development. The 3G pitch at Westhoughton High School was constructed and the playing pitches and changing facilities at Hulton Lane were completed.

The council and partners took the decision in 2010 to fundamentally shift away from just cleaning up after communities to introducing a behaviour change approach aimed at tackling the root cause of environmental issues. Additional resources of £1.3million revenue were allocated from April 2015 over 2 years (2015/16 and 2016/17), in addition to £200,000 capital for environmental improvements. As a result of this funding, as part of the behaviour change programme, a new umbrella community group (called Green Umbrella) has developed and was launched at an event on 25 November 2016.

The introduction of managed weekly waste collections in 2013 was part of a strategic waste diversion programme where the primary aim was to divert waste away from the residual waste stream and increase recycling rates. Further diversion was required to avoid increasing waste disposal costs and in July 2015 the proposal was approved to exchange all grey 240 litre wheeled bins for 140 litre wheeled bins (slim bins), with the continuation of the same frequency of collections. The roll out of the slim bins began on 20 June 2016 and was completed, by the end of November 2016. At the end of 2016/17, the introduction of slim bins has resulted in avoided waste disposal costs of £2.2 million, exceeding the waste disposal saving target of £1.25million per year.

In 2011 the Council formed a limited liability partnership with a private sector partner. This partnership is called Bolton PSP. The key development for the partnership during 2016/17 has been the development of a commercial opportunity at the Interchange transport site. The development will provide the Town centre with 29,000 sq. ft. of grade A office accommodation. This development will bring new jobs in to the Town Centre, support other businesses and add further life and vibrancy into the Town Centre.

### **Our Vision for Bolton in 2030**

Bolton 2030 was launched by the Bolton Vision Partnership at its conference on the 31 January 2017. Partners from across the public, private, faith and community sectors have agreed that their vision for Bolton is:

“Bolton will be a vibrant place, built on strong cohesive communities and healthy residents. It will be a welcoming place where people choose to study, work and put down roots”. In choosing this vision the partners have adopted a strapline of an active, connected and prosperous Bolton.

Partners have set out the six key areas where they are aiming to make a real difference to deliver the vision set out above. These are:

- Starting well – giving our children the best possible start in life so that they have every chance to succeed and be happy.
- Living well – improving the health and wellbeing of our residents so that they can live healthy, fulfilling lives for longer.
- Ageing well - supporting older people in Bolton to stay healthier for longer and feel more connected with their communities.
- Prosperous – attracting businesses and investment to the borough, matching our workforce’s skills with modern opportunities and employment.
- Clean and green – protecting and improving our environment so that more people enjoy it, care for it and are active in it.
- Strong and distinctive - developing stronger, cohesive, more confident communities, in which people feel safe, welcome and connected.

Guiding these outcomes are our key principles of driving inclusive growth that supports prosperity for all; protecting the most vulnerable in our communities; and working in partnership to design and deliver services that meet the needs of our residents by making the best use of our available resources.

### **Political Structure 2016/17**

The Borough is divided into 20 wards each of which elects three Councillors. Each Councillor is elected for up to four years. The makeup of the Council after the May 2016 elections was;

Labour	37
Conservative	16
Liberal Democrats	3
UK Independence Party (UKIP)	4

The work of the Council is carried out through 4 departments which are overseen by the Cabinet and Executive Cabinet Members. The Cabinet is made up of elected members with different areas of responsibility. The Council also works in partnership with a variety of private, public and voluntary sector organisations through the Bolton Strategic Partnership.



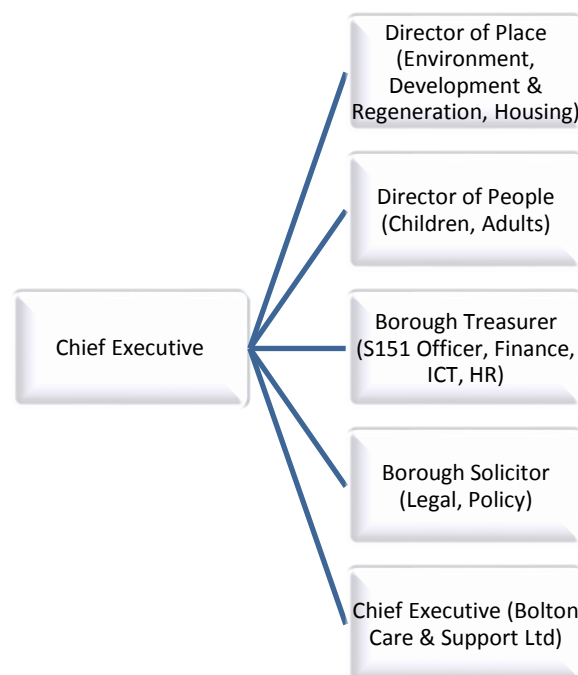
Other Councillor responsibilities include the following;

- 9 Cabinet Members who are responsible for specific areas such as Adult Social Care, Education
- Non-executive Councillors
- 18 Area forums
- 4 Scrutiny Committees
- Planning Committee
- Licensing and Environmental Regulations Committee and its Sub-Committees
- Standards Committee
- Health and Wellbeing Board

See <http://www.bolton.gov.uk/website/pages/Cabinetandcommitteemeetings.aspx>

### **Management Structure**

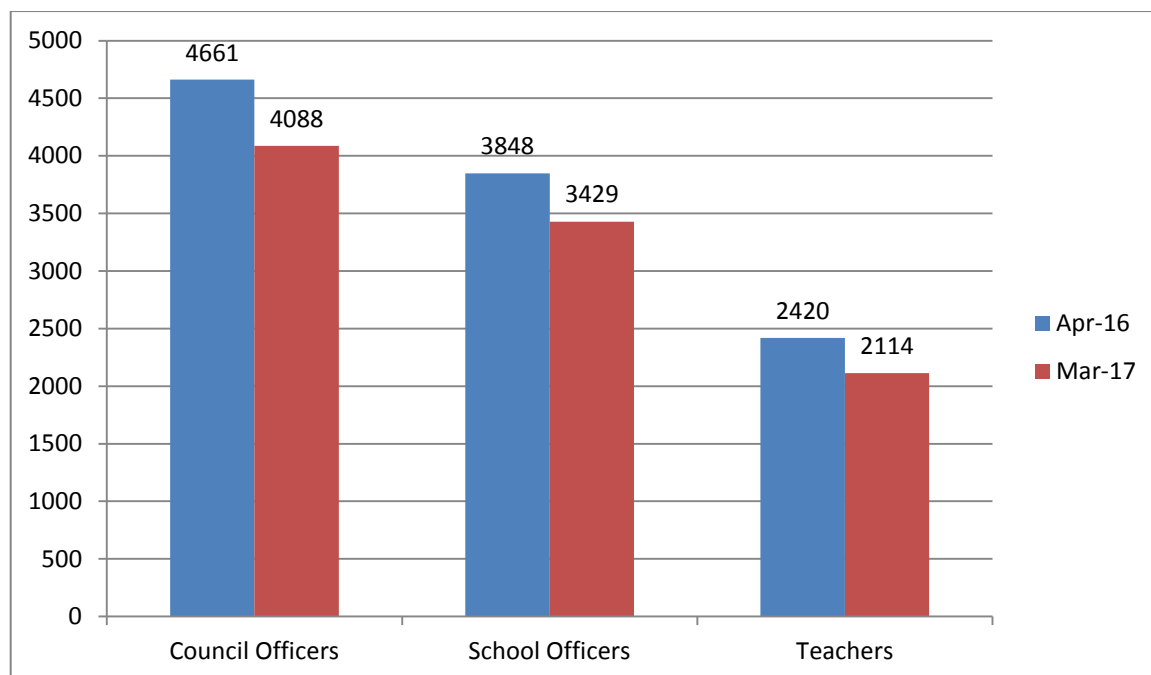
The last few years has seen significant reductions in the number of senior officer posts. During the year John Daly was formally appointed to the post of Director of People after previously being its Acting Director. The top level management structure is shown below



### **Staffing**

Staff numbers at the start and end of the year are shown graphically below;

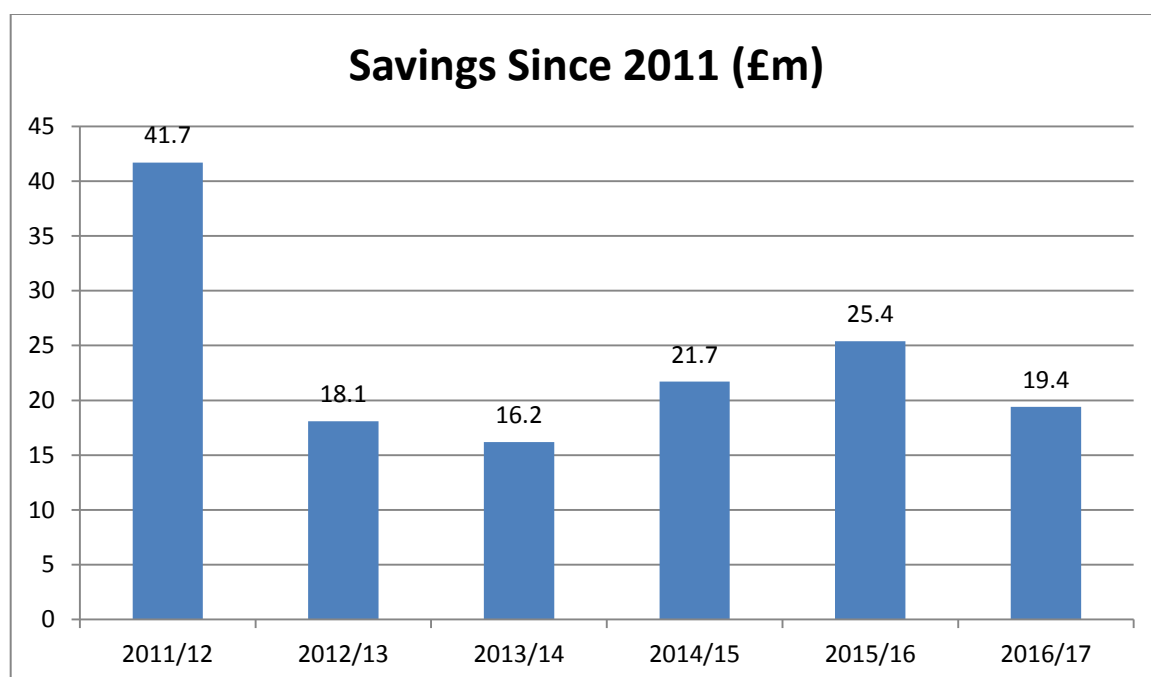
## Statement of Accounts 2016/17



### Overall Financial Summary

Since 2011 the Council has faced significant reductions in the grants it has received from Central Government. This has resulted in savings having to be made of around £140m to the end of 2016/17.

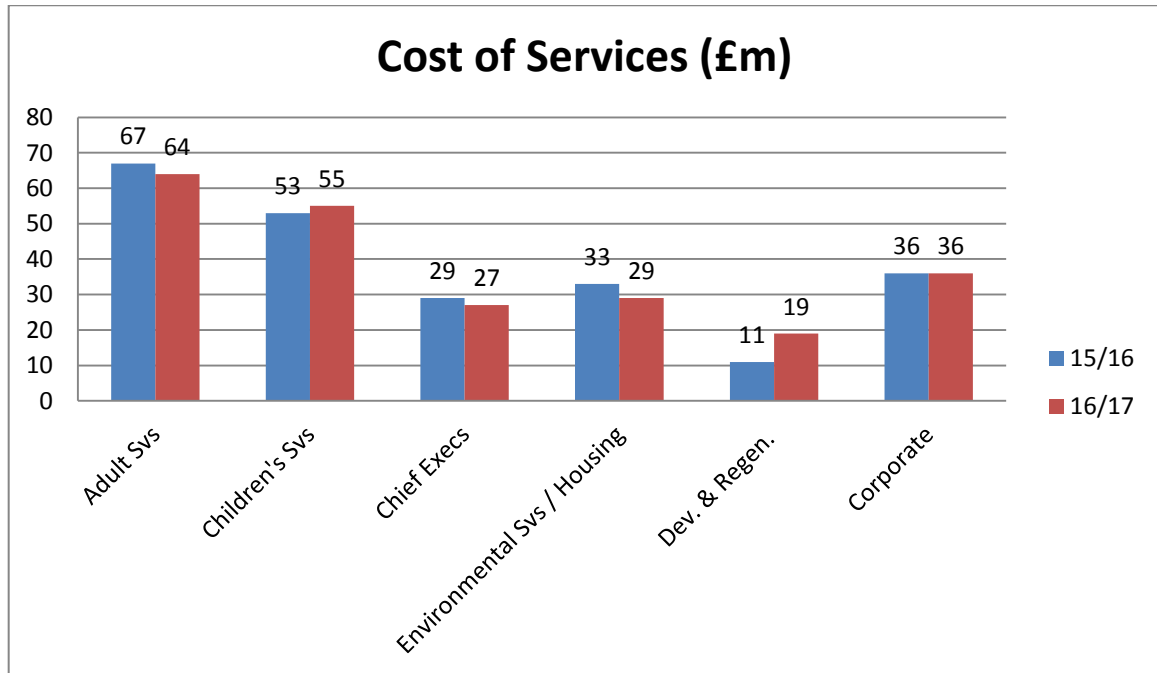
During the 2015/16 budget process savings were identified of £43m covering both financial years 2015/16 and 2016/17. A 2 years savings plan was approved at Council in February 2015 requiring savings of £25m in 2015/16 and £18m in 2016/17. When the 2016/17 Financial Settlement was published, the savings target was increased to £19m. Savings required since 2011 are shown below



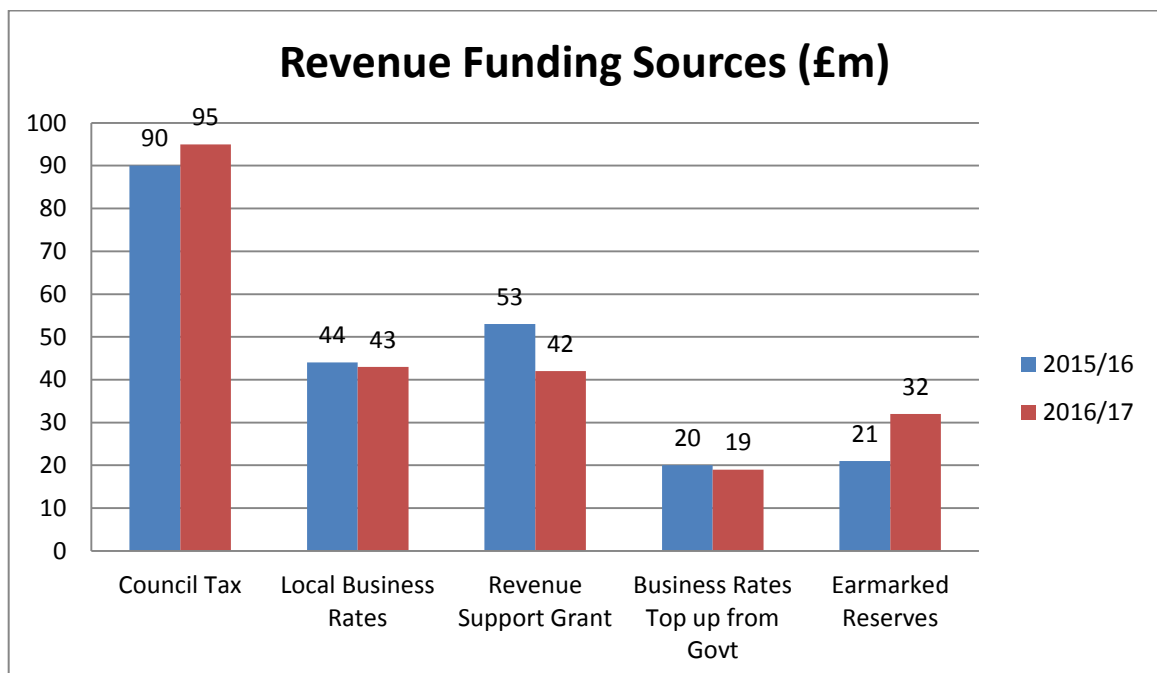
There is currently no indication that the situation will improve in the short term with savings of £12.5m required in 2017/18.

The government also offered councils the option of a 4 year settlement in respect of the Revenue Support Grant it receives covering the financial years 2016/17 to 2019/20. This offer was to give councils some stability in order to aid future financial planning and the council accepted this offer in October 2016.

With regard to revenue budgets, the Council's departments balance their budgets by making contributions to or from reserves as appropriate. A new analysis for the 2016/17 statement identifies what the cost of each service is before reserve transfers and how this balances to the overall funds available. This Expenditure Funding analysis is summarised below;



The money to fund the budget above comes from either local tax payers in the form of Council tax or business rates or from various government grants.

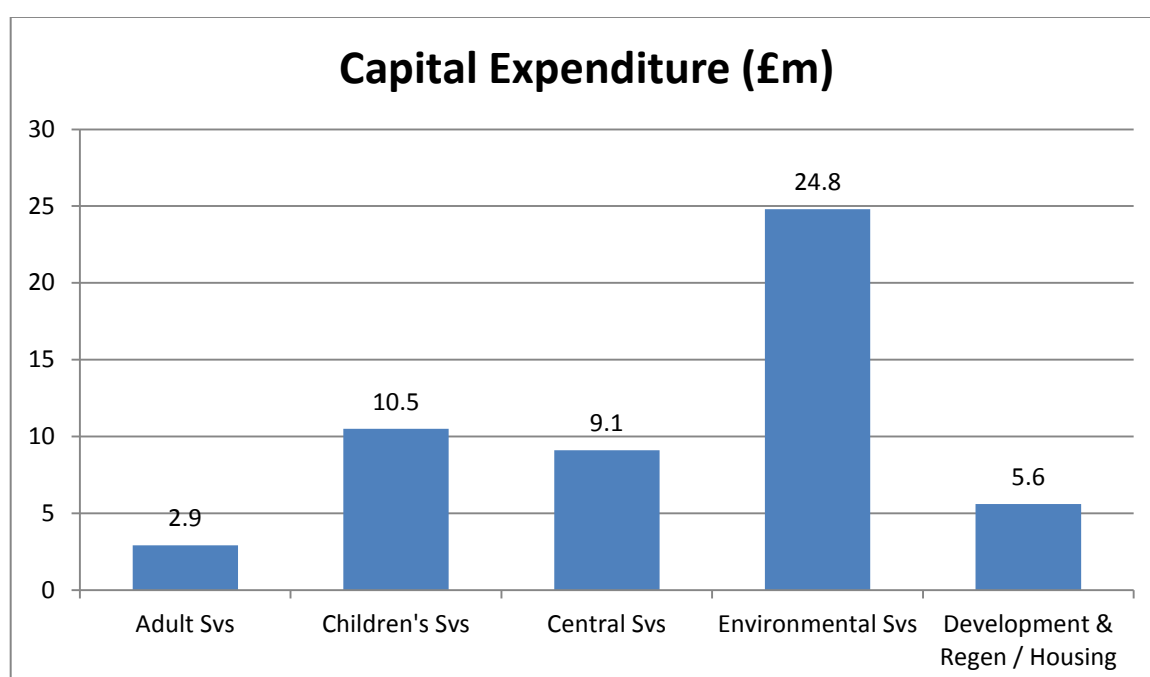


The other major areas of expenditure are Schools and Public Health. Both of the grants received for these must be passed on directly to the services. In 2016/17 the Council passed on £188.6m in Dedicated Schools Grant and £22.6m Public Health Grant.

The 2016/17 financial settlement gave councils the option to increase their Council Tax in excess of the 2% permitted before a referendum must be sought, as long as the additional monies raised were spend on Adult social Care. The Council chose to raise its Council Tax for 2016/17 by 3.5%, 2% of which was for Adult Social Care and 1.5% was for the general increase.

## Capital

The Council spent £52.9m on capital activities in 2016-17. Capital expenditure by department was as follows

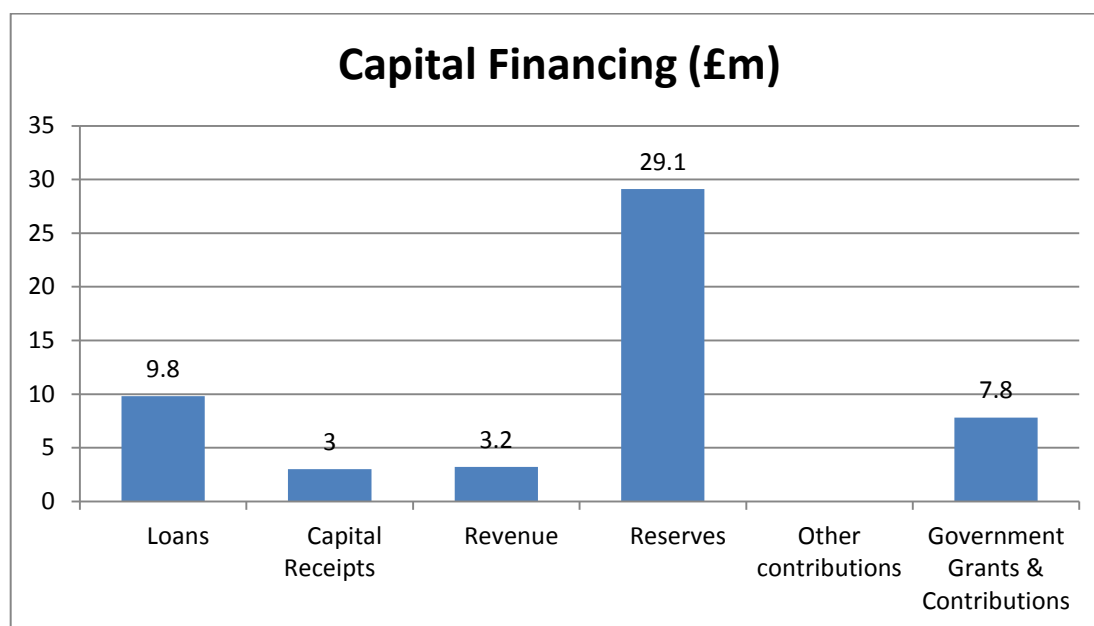


Major capital schemes included the following;

Scheme	£000	Description
Disabled Facilities Grants	2,011	Helping people stay independent longer through adaptations and modifications to their homes by reducing care and support needs.
Private Sector Renewal	991	Regeneration programme for home repairs helping people stay independent longer, linking decency, vulnerability and the economy.
Horwich Leisure Centre Cabinet Feb 2015	4,824	A new high quality, more energy efficient leisure facility.
170 & 180 Bradshawgate	2,092	Acquisition of Land and Buildings for the development and regeneration of the area.
Public Realm Schemes & Gateways	1,197	Investment in Newport Street pedestrian area and shop fronts.
Asset Management Plan -	816	Improvement works to sustain fabric to

<b>Scheme</b>	<b>£000</b>	<b>Description</b>
urgent works		Council Buildings.
Building Maintenance Plan	2,743	Schools significant capital improvement schemes excluding extensions or new build. Often co-funded by EFA Capital grants and school contributions.
Primary Expansion Programme	1,739	Expansion of primary schools to meet addition pupil places needed.
School Schemes (including BMP contributions)	1,569	Schemes directed and funded by schools from their own resources largely around capital improvement to existing buildings.
Day Care	937	Improved day care facilities particularly at Brazley where there has been an extension and other improvements.
Winifred Kettle	652	New integrated Health and Social Care Facility
DfT Highways LTP	1,717	Funding for essential maintenance to renew, repair and extend the life of roads
Concrete lighting columns over 40 years old renewals	1,170	Replacement of Street Lighting Columns.
Street Lighting LED Programme	2,452	The replacement of existing street lighting using LED lighting to provide benefits including reduction in energy and maintenance costs, increased life expectancy of the product and a cleaner white light. Contributing to the reduction of carbon emissions as set out in the Council's Carbon Management Plan.
Highways Strategic Investment	2,395	Investment in Highway Schemes including residential roads and pavements.
A666 Challenge Fund St Peters Way Improvement	3,208	Major structural maintenance of the highway and parapet strengthening and replacement.
Bolton Salford Quality Bus Network	1,198	Funding for major junction/signal improvements to ease congestion.
Highways Flood Damage - Dft	600	Funding for the localised flood damage to repair the local highway network.
Waste Savings - Bin Exchange	1,077	Exchange of current 240 litre grey bins for slimmer 140 litre bins to support further increases in recycling and reduction of waste sent for disposal.
Replacement of Fleet Vehicles	1,566	Renewal of Waste Vehicles.
Albert Halls Refurbishment	3,920	To preserve the historical fabric and architectural significance of the building whilst providing greater opportunity for improved commercial operation in support of the Council's strategy for the town centre

Capital expenditure was financed as follows:



### Reserves & Balances

The Council has £174m (£203m in 15/16) of usable reserves & balances. These are split into 3 types

- Capital Reserves – Can only be used for capital projects. The Council had £34m (£31m in 15/16) of capital reserves at the end of 2016/17.
- General Fund Balances and Revenue Reserves
  - General Fund Balances - The Council is required to keep a level of general reserves to fund unexpected demands and exceptional cost increases. Council approved that as a minimum Balances should be maintained at £10m, but if possible should be at a higher level. During 2016/17 General Fund balances remained static at £10.66m.
  - Revenue Reserves – Unlike capital reserves, revenue reserves can be used for either capital or revenue projects. Of the total amount held at the end of the financial year, £72m (£85m in 2015/16) related to reserves held by departments and corporately for the following reasons:
    - Legal/statutory requirements
    - To fund existing commitments
    - To cover key areas of future spend
    - To cover key areas of risk
    - Service contingencies
  - All other revenue reserves are held on behalf of clients, schools and to provide insurance cover.

**Balance sheet**

The Council has £238m of net assets represented by £174m of usable reserves and £64m of unusable reserves.

The table below summarises the Council's balance sheet as at the end of 2016/17

	31/3/16 £m	31/3/17 £m
Property Plant & Equipment	493	474
Other Long Term Assets	174	174
Current Assets	161	131
Current Liabilities	(62)	(63)
Long Term Liabilities	(462)	(478)
<b>Net Assets</b>	<b>304</b>	<b>238</b>
Represented by;		
Usable Reserves	203	174
Unusable Reserves	101	64
<b>Total Reserves</b>	<b>304</b>	<b>238</b>

**Future plans**

When Cabinet considered its Medium Term Financial Summary in November 2016 it approved the use of up to £30m of reserves to cash flow the budgets in 2017/18 and 2018/19. In addition savings of £12.5m still had to be achieved in 2017/18. Savings were identified departmentally and approved at Council in February 2017 and a full programme of work is now underway to deliver these savings.

Due to budget constraints the Council's capital programme has been severely restricted over the last few years. New capital programme initiatives are primarily being funded from capital receipts, for example from the sale of land or departmental capital grants. A summary of the current programme is as follows

	2017/18 £m	2018/19 £m	2019/20 £m
Housing	2	2	
Dev. & Regen.	14	10	2
Children's Svs	24	16	
Adult Svs	2		
Environment	14		
Chief Executive's	1		
	<b>57</b>	<b>28</b>	<b>2</b>

Over the summer months 2017 Senior Officers and Members will be working closely together to monitor the 2017/18 savings programme and develop the Medium Term Financial Strategy 2018-2021. For revenue this will be based upon current predictions of council tax levels and the council retaining 100% of its business rates. For capital this will be based on anticipated capital receipts with the option to borrow also being considered.

### **Treasury Activity**

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The Council currently has £79m in long term debt. Cash investments (which are for a period of less than 1 year) vary from month to month and were £86m at the end of 2016/17

### **Key Financial Risks**

Given the continued reductions in government grant levels, the growing, unavoidable expenditure pressures, and, as a consequence, the scale of reductions required, there is inevitably a large degree of risk when undertaking any future financial planning. These risks include;

#### **Continual need to achieve further savings**

As noted above the Council has a savings programme to realise the £12.5m savings in 2017/18. The use of reserves to cash flow the budget means that further savings will be required in 2019/20. As the Council's budget base reduces this makes it more difficult to find extra savings

#### **Global Economy / "Brexit"**

External factors including volatility in the Eurozone and oil prices may impact upon the Chancellor being able to balance his own budget with a potential impact of further cuts on Local government. The decision to leave the European Union in June 2015 and the subsequent triggering of Article 50 could potentially add another level of uncertainty into financial markets, the impact of which on the Council cannot as yet be measured

#### **Demand Led Budgets**

Even with the creation of the LATC the continuing increase in the elderly population will continue to put more pressure on Adult Services' budgets

#### **Legislation / Funding changes**

Business rates collected since 2013 by the Council have been distributed 50% to Central Government, 1% to Fire, and 49% is retained by the Council. It has been decided going forward that councils will retain 100% of their business rates with 1% passed to the Fire Authority. Whilst this only starts nationally from 2019/20, from 2017/18 it has been agreed that the Council will be part of the Greater Manchester pilot for 100% business rates retention. The underlying assumption of the move to 100% business rates is that it will be fiscally neutral.

As part of the 2017/18 Settlement councils have been given the option to increase the Adult Social Care Precept by a maximum of 6% over the 3 financial years 2017/18 to 2019/20, with any one year limited to a 3% increase. Any general Council Tax levy must be limited to 2%, meaning that Council Tax can increase by up to 5% without the need for a referendum. The Council increased its Council Tax by 4.8% for 2017/18, of which 3% is the Adult Social Care Precept.



### **Earlier Closedown**

From 2017/18 financial year end there is a requirement for the Council to have its statement signed off by the Borough Treasurer by the end of May (currently it's the end of June) and signed off by its auditors by the end of July (currently the end of September). In preparation for this, the 2016/17 closedown is being undertaken in advance of the new regulations.

### **An explanation of which statements follow, their purpose and relationship between them**

The remainder of this document is the Council's Statement of Accounts for the year ending 31 March 2017, and has been prepared in accordance with the 2016/17 Code of Practice on Local Authority Accounting (The Code) and International Financial Reporting Standards (IFRS). Changing requirements over the years have led to the increasing complexity and detail required in the accounts.

### **The Movement in Reserves Statement (MIRS)**

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

### **Expenditure and Funding Analysis (EFA)**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from annual resources (government grants, rents, council tax and business rates). The Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement

### **The Comprehensive Income and Expenditure Statement (CIES)**

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. For 2016/17 this has been amended to be consistent with the Council's internally reporting format.

### **The 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 Council (assets less liabilities) are matched by the reserves held by the Council.

### **The Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The Code requires that the Council's accounts are set out with the 4 core financial statements grouped together. For 2016/17 a simplified MIRS and a CIES have been presented in the Council's reporting format where previously the Net Cost of Services has been reported by SeRCOP classification. In line with International Financial Reporting Standards a full retrospective restatement of the 2015/16 Comprehensive Income and Expenditure Statement has been included within the 2016/17 Statement of Accounts.

Supplementary statements and Group accounts are also produced where applicable including;

**The Collection Fund Revenue Account.**

This reports on the collection of local taxes (Council tax and national non domestic rates) and their distribution to the Council, Greater Manchester Police and Greater Manchester Fire and Rescue authorities.

**Group Accounts**

These have been prepared in respect of the Council's ownership of Bolton Cares Ltd

**Annual Governance Statement.**

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

The accounts are supported by the Statement of Accounting Policies and a glossary of financial terms that are contained within the Statement.

**Acknowledgements**

Finally I would like to thank all the finance staff across the Council who helped contribute to this Statement and continue to work professionally under ever increasing competing demands.

Sue Johnson  
Borough Treasurer  
19 September 2017

## Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from annual resources (government grants, rents, council tax and business rates). The Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16				2016/17		
Net expenditure chargeable to the General Fund	Adjustment between the funding & accounting basis	Net expenditure in CIES		Net expenditure chargeable to the General Fund	Adjustment between the funding & accounting basis	Net expenditure in CIES
£000s	£000s	£000s		£000s	£000s	£000s
66,671	7,134	73,805	Adult Services/Public Health	64,486	4,326	68,813
52,765	10,848	63,613	Children's Services	54,510	15,262	69,772
29,134	(11,788)	17,345	Chief Executives	27,369	(6,989)	20,380
11,066	4,437	15,503	Development & Regeneration	18,972	7,645	26,617
33,045	14,921	47,966	Environment/Housing/Asylum Seekers	29,449	9,363	38,811
35,759	(8,354)	27,405	Financial Services	36,211	(2,897)	33,314
<b>228,439</b>	<b>17,198</b>	<b>245,638</b>	<b>Cost of Services</b>	<b>230,998</b>	<b>26,709</b>	<b>257,707</b>
(207,744)	13,908	(193,836)	Other Income and expenditure	(198,629)	34,654	(163,975)
<b>20,696</b>	<b>31,106</b>	<b>51,802</b>	<b>Deficit/(surplus) for year</b>	<b>32,369</b>	<b>61,363</b>	<b>93,732</b>



## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed between “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Statement shows how the movements in year of the Council’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments chargeable to council tax for the year. The net increase/decrease line shows the statutory General Fund balance movements in the year following these adjustments.

Summary MIRS	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance 1 April 2015</b>	<b>10,660</b>	<b>182,615</b>	<b>6,164</b>	<b>12,823</b>	<b>212,262</b>	<b>15,958</b>	<b>228,220</b>
Total Comprehensive Income and Expenditure	(51,802)	0	0	0	(51,802)	128,011	76,209
Adjustments from income & expenditure charge under the accounting basis to the funding basis (Note 6)	31,106	0	5,266	6,674	43,046	(43,103)	(57)
Increase or (Decrease) in 2015/16	(20,696)	0	5,266	6,674	(8,756)	84,908	76,152
Transfers to/from earmarked reserves (Note 5)	20,696	(20,696)	56	0	56	(56)	0
<b>Balance at 31 March 2016 carried forward</b>	<b>10,660</b>	<b>161,919</b>	<b>11,486</b>	<b>19,497</b>	<b>203,562</b>	<b>100,810</b>	<b>304,372</b>

Summary MIRS	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance 1 April 2016</b>	<b>10,660</b>	<b>161,919</b>	<b>11,486</b>	<b>19,497</b>	<b>203,562</b>	<b>100,810</b>	<b>304,372</b>
Total Comprehensive Income and Expenditure	(93,733)	0	0	0	(93,733)	27,222	(66,511)
Adjustments from income & expenditure charge under the accounting basis to the funding basis (Note 6)	61,364	0	796	2,032	64,192	(64,281)	(89)
Increase or (Decrease) in 2016/17	(32,369)	0	796	2,032	(29,541)	(37,059)	(66,600)
Transfers to/from earmarked reserves (Note 5)	32,369	(32,369)	56	0	56	(56)	0
<b>Balance at 31 March 2017 carried forward</b>	<b>10,660</b>	<b>129,550</b>	<b>12,338</b>	<b>21,529</b>	<b>174,077</b>	<b>63,695</b>	<b>237,772</b>

## Balance Sheet

The Balance sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council 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 is those that the Council 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".

<b>31 March 2016 £000s</b>		<b>Note</b>	<b>31 March 2017 £000s</b>
	<b>Property, Plant &amp; Equipment</b>		
353,015	- Other land and buildings	<b>7</b>	318,284
8,830	- Vehicles, plant, furniture & equipment	<b>7</b>	9,523
121,339	- Infrastructure	<b>7</b>	130,351
10,215	- Community assets	<b>7</b>	10,215
0	- Assets under construction	<b>7</b>	5,099
<b>493,399</b>			<b>473,472</b>
897	Surplus assets	<b>7</b>	1,762
69,323	Heritage assets	<b>7</b>	67,765
40,593	Investment property	<b>8</b>	38,091
401	Software	<b>9</b>	497
40,280	Long Term Investments	<b>10</b>	44,255
21,574	Long Term Debtors	<b>10</b>	21,515
<b>666,467</b>	<b>Long Term Assets</b>		<b>647,357</b>
104,550	Short Term Investments		74,476
734	Inventories	<b>12</b>	869
33,359	Short Term Debtors	<b>13</b>	32,081
6,050	Prepayments		6,956
16,183	Cash and Cash Equivalents	<b>14</b>	17,114
405	Assets held for sale (less than 1 year)		0
<b>161,281</b>	<b>Current Assets</b>		<b>131,496</b>
(3,667)	Short Term Borrowing	<b>10</b>	(10,689)
(43,850)	Short Term Creditors	<b>15</b>	(46,875)
(11,386)	Provisions for current liabilities	<b>16</b>	(3,136)
(2,200)	Revenue Grants in Advance	<b>31</b>	(2,328)
<b>(61,103)</b>	<b>Current Liabilities</b>		<b>(63,028)</b>

## Statement of Accounts 2016/17

<b>31 March 2016 £000s</b>		<b>Note</b>	<b>31 March 2017 £000s</b>
(9,722)	Provisions for long term liabilities	<b>16</b>	(7,779)
(79,909)	Long Term Borrowing	<b>10</b>	(79,891)
(15,216)	Other Long Term Liabilities	<b>10</b>	(13,743)
(357,426)	Net Pensions Liability	<b>37</b>	(375,638)
0	Capital Grants Receipts in Advance	<b>31</b>	(1,000)
<b>(462,273)</b>	<b>Long Term Liabilities</b>		(478,051)
<b>304,372</b>	<b>Net Assets</b>		<b>237,774</b>
	<b>Represented by:</b>		
	<b>Usable Reserves</b>		
10,660	- General Fund Balance	<b>5</b>	10,660
9,264	- Earmarked Statutory Reserves	<b>5</b>	6,256
152,655	- Earmarked Policy Reserves	<b>5</b>	123,295
11,486	- Capital Receipts Reserve		12,339
19,497	- Capital Grants Received in Advance		21,528
<b>203,562</b>			174,078
	<b>Unusable Reserves</b>	<b>6</b>	
143,466	- Revaluation reserve		151,014
30,027	- Available-for-Sale Financial Instruments Reserve		34,001
(357,426)	- Pensions Reserve		(375,638)
10,585	- Deferred capital receipts		10,770
282,308	- Capital Adjustment Account		248,868
(6,725)	- Collection Fund Adjustment Account		(1,520)
(1,425)	- Short-term Accumulating Compensated Absences Account		(3,799)
<b>100,810</b>			<b>63,696</b>
<b>304,372</b>	<b>Total Reserves</b>		<b>(237,774)</b>



## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

31 March 2016 £000s		Note	31 March 2017 £000s
51,802	Net (surplus) or deficit on the provision of services		93,732
(71,569)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	17	(106,230)
29,165	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	18	23,842
<b>9,398</b>	<b>Net cash flows from Operating Activities</b>	<b>19</b>	<b>11,344</b>
(13,118)	Investing Activities	<b>20</b>	(6,748)
2,401	Financing Activities	<b>21</b>	(5,526)
<b>(1,319)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(930)</b>
14,864	Cash and cash equivalents at the beginning of the reporting period		16,183
1,319	(Decrease) or Increase in cash as above		930
<b>16,183</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>14</b>	<b>17,113</b>

## Notes to the Core Financial Statements

### Contents

1	Accounting Policies.....	25
2	Critical Judgements in Applying Accounting Policies .....	42
3	Events After the Balance Sheet Date.....	44
4	Note to the Expenditure and Funding Analysis .....	45
5	Movements in Earmarked Reserves .....	47
6	Adjustments to Accounting and Funding Basis .....	50
7	Property, Plant and Equipment .....	54
8	Investment Properties.....	59
9	Intangible Assets .....	60
10	Financial Instruments.....	61
11	Nature and Extent of Risks Arising from Financial Instruments.....	67
12	Inventories.....	72
13	Debtors.....	72
14	Cash and Cash Equivalents.....	73
15	Creditors.....	73
16	Provisions.....	74
17	Cash Flow Statement – Adjustment on provision of services for non-cash movements.....	75
18	Cash Flow Statement – Adjustment on provision of services for investing or financing activities .....	76
19	Cash Flow Statement - Operating Activities .....	76
20	Cash Flow Statement - Investing Activities .....	76
21	Cash Flow Statement - Financing Activities .....	76
22	Trading Operations.....	77
23	Agency Services .....	78
24	Pooled Budget – Better Care Fund.....	79
25	Members’ Allowances.....	80
26	Officers’ Remuneration .....	81
27	Termination Benefits.....	84
28	Dedicated Schools Grant.....	84
29	Financing and Investment Income and Expenditure.....	85
30	Taxation and Non-Specific Grant Income .....	85
31	Grant Income.....	85
32	Related Parties.....	87
33	Capital Expenditure and Capital Financing .....	91
34	Leases.....	92

Statement of Accounts 2016/17

35 PFI and Similar Contracts .....	94
36 Pension Schemes Accounted for as Defined Contribution Schemes .....	95
37 Defined Benefit Pension Schemes.....	96
38 Contingent Liabilities.....	103
39 Contingent Assets .....	105
40 External Audit Costs .....	106
41 Trust Funds .....	107

## **1 Accounting Policies**

### **General Principles**

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. It has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) and the CIPFA Service Reporting Code of Practice 2016/17 (*SeRCOP*), supported by International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets.

### **Accruals of Income and Expenditure**

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

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

### **Cash and Cash Equivalents**

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

### **Charges to Revenue for Non-Current Assets**

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

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

- amortisation of intangible assets attributable to the service.

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

### **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 and NNDR income on behalf of the major preceptors and itself.
- While the Council Tax and NNDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors.
- From the year commencing 1 April 2009 the Council Tax income included in the CIES for the year is the accrued income for the year. The difference between the income included in the CIES 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 MIRS.
- Since the collection of Council Tax and NNDR are in substance agency arrangements, cash collected by the billing authority from Council Tax and National Non-Domestic Rates (NNDR) debtors belongs proportionately to the billing authority and the major preceptors and Central Government. 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 and Central Government in the year will not be its share of the cash collected from Council Tax and NNDR payers.

### **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.

### **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 and bonuses for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. 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 MIRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### **b) Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the CIES when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, 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 three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DFE).
- The National Health Service Pensions Scheme.
- The Greater Manchester Pensions Scheme, administered by Tameside Council.

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

However, the arrangements for the teachers' and the NHS schemes mean that liabilities for these benefits cannot be identified to the Council. The schemes are therefore accounted for as if they were defined contributions schemes – 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 the teachers' and NHS pensions in the year. The Children's and Education services line in the CIES is charged with the employer's contributions payable to Teachers' Pensions in the year. The Public Health line in the CIES is charged with the employer's contributions payable to the NHS Pensions scheme in the year.

#### **d) The Local Government Pension Scheme**

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

The liabilities of the Greater Manchester pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit

method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a real discount rate of 4.3% per annum, derived from a corporate bond yield curve, recognising the weighted average duration of the projected benefit obligation for Bolton Council.

The assets of the Greater Manchester pension fund attributable to the Council are included in the Balance Sheet at their fair value, which is at bid value, as recommended under IAS19.

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

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

## **Fair Value Measurement**

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

## **Financial Instruments**

### **a) Financial Liabilities**

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES 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 CIES 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 CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES 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 MIRS.

#### **b) 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.

#### **c) 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 CIES 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 CIES 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 CIES.

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

#### **d) 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 CIES for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the CIES when it becomes receivable by the Council.

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the 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 CIES, 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 CIES. Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

### **Government Grants and Contributions**

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

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

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. 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 CIES.

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

### **Heritage Assets**

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

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

### **Heritage Assets – General**

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

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

### **Historic Buildings**

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

These are held on the balance sheet at depreciated replacement cost. These assets are also deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

### **Intangible Assets**

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

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

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 MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **Interests in Companies and Other Entities**

The Council has a material interest in an external entity and therefore group accounts have been prepared. Inclusion in the Council's group is dependent upon the extent of the Council's interest and power to influence an entity. The determining factor for assessing the extent of interest or power to influence is either through ownership of an entity, a shareholding in an entity or representation on an entity's board of directors. An assessment of all the Council's interests has been carried out during the year, in accordance with the Code of Practice, to determine the relationships that exist and whether they should be included in the Council's group accounts. In the Council's single-entity accounts the Council's interest in those companies are

recorded as financial assets at cost less any impairment. Any gains or losses are recognised in the Comprehensive Income and Expenditure Statement.

### **Inventories**

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

### **Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset from the market participants' perspective. Properties are not depreciated but are re-valued on a 5-yearly cycle with an annual overview. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. 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 MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **Leases**

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

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

#### **a) The Council as Lessee**

##### **i) 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 CIES).

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

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

ii) Operating Leases

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

**b) The Council as Lessor**

i) Finance Leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the CIES 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 MIRS. 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 MIRS. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council tax, as the cost of property, plant and equipment 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 MIRS.

ii) Operating Leases

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

**Library & Museums collections**

The collections include Egyptology, Ethnography, industrial history, business archives, archaeology, botany, geology, local history, costume, textiles, decorative art, entomology, zoology and rare books.

These items are reported in the Balance Sheet on valuations held for insurance purposes. The ten most significant items have been valued individually, and a single collections based valuation covers all other items. The insurance valuations are reviewed regularly, and when the policies are being renewed. The valuation of individual items may also be reviewed when loans are made to external organisations. The collections are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

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

**Minimum Revenue Provision**

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2003/3146) took effect from 31 March 2008. They require the basis on which the Minimum Revenue Provision (MRP) is calculated for future years to be approved by Council. This is the amount Councils are required to set aside for debt repayment each year.

General Fund Borrowing that was previously supported through the RSG system has been provided for in equal annual instalments over a 50 year period commencing 1 April 2015. For non-Housing schemes financed from unsupported borrowing, from 1 April 2008 MRP will be made for repayment equal to the estimated depreciation charge on those assets calculated on an equal instalment basis, calculated in accordance with normal accounting practice. For Finance Leases and the PFI scheme the capital element of the lease or unitary payment will be taken to be the MRP.

**Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

### **Private Finance Initiative (PFI)**

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

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

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

- fair value of the services received during the year – debited to the relevant service in the CIES
- 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 CIES
- 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)

### **Prior Period Adjustments**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are only accounted for prospectively i.e. in the current and future years which are affected by the changes, they do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices, or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change in accounting policy is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances for the current year and comparative amounts for the prior period as if the new policy had always been applied.

Where material errors are discovered in prior period figures they are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## **Property, Plant and Equipment**

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

### **a) Recognition**

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year.

Expenditure that maintains but does not add to an assets' potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged to revenue as it is incurred.

### **b) 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:

- assets surplus to requirements – fair value, determined by the measurement of the highest and best use value of the asset
- assets under construction – historical cost
- dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- infrastructure assets, community assets – depreciated historical cost
- heritage assets – valuation, or cost where value not available.

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost

### **c) Revaluations**

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

Where decreases in value are identified, they are accounted as follows:

- 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 CIES.

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.

Valuations for Operational and Investment Properties are provided by Urban Vision. Urban Vision is an organisation under a partnership formed in 2005 between Salford



City Council and nationally respected companies, Capita and Galliford Try. In their letter of engagement Urban Vision confirmed their awareness of the RICS regulatory framework under which this valuation work is carried out. The Council's interest in land held by the 10 district Councils around the Airport is based on a value obtained by Manchester City Council.

#### **d) 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 CIES.

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

#### **e) 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, up to a maximum of 50 years. Otherwise depreciation is calculated on the following bases;

- Buildings – 40 years
- Vehicles, plant, furniture and equipment – 5 years
- Infrastructure – 25 years
- Intangible Assets – 5 years or life of licence.

Depreciation is calculated on asset values at 1 April, i.e. depreciation is charged on expenditure or revaluations in the year. 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.

#### **f) Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. 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 CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current 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 MIRS.

### **g) Componentisation**

The Code requires that each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When an item of Property, Plant and Equipment valued at greater than £1,000,000 is either acquired or re-valued and the asset has major components whose cost is greater than £200,000, the components are depreciated separately over the relevant life of the component.

## **Provisions, Contingent Assets and Contingent Liabilities**

### **a) Provisions**

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

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

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

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

**b) Contingent Assets**

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

**c) Contingent Liabilities**

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

**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 MIRS. 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 CIES. The reserve is then appropriated back into the General Fund Balance in the MIRS so that there is no net charge against Council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

**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 CIES 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 MIRS 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.

## Accounting for Schools

Within its boundary, the Council has the following schools:

Type of School	Nursery	Primary	Secondary	Special
Community Schools	3	41	3	5
Controlled Schools	0	4	0	0
Voluntary Aided Schools	0	35	5	0
<b>Total LA Schools</b>	<b>3</b>	<b>80</b>	<b>8</b>	<b>5</b>
Academies	0	14	9	1
Free School	0	2	2	0
<b>Total</b>	<b>3</b>	<b>96</b>	<b>19</b>	<b>6</b>

### a) Community Schools

These schools are owned by the Local Authority and managed by a governing body. The revenue expenditure for these schools is funded from the Dedicated Schools Grant (DSG) and accounted for within the Council's accounts. The buildings, reserves and other assets and liabilities are held on the Council's balance sheet.

### b) Controlled Schools

Controlled schools are managed by a governing body on behalf of the Council. As with Community schools the revenue expenditure is funded from the DSG and accounted for within the Council's accounts. The buildings do not belong to the Council, and therefore are not held within the balance sheet. Reserves and other assets and liabilities that are related to the provision of education, remain with the Council and are therefore included in the balance sheet.

### c) Trust Schools

Trust schools are state-funded foundation schools which receive extra support (usually non-monetary) from a charitable trust made up of partners working together for the benefit of the school. The ownership of the buildings lie with the Trust and, therefore, are not held on the Council's balance sheet. Revenue expenditure is funded by the DSG. All revenue income and expenditure, reserves, current assets and liabilities are held within the Council's accounts.

### d) Voluntary Aided Schools

These schools are owned by either the Roman Catholic or Church of England Diocese and one is of the Muslim faith. The governing bodies employ the staff but the education is provided on behalf of the Council and funded by the DSG, therefore all the revenue income and expenditure, reserves, current assets and liabilities are within the Council's accounts. The buildings, however, are not held on the balance sheet with the exception of playing fields that are in Council ownership.

### e) Academies

These schools are independent from the Council. Income and expenditure, reserves and current assets and liabilities are not within the Council's accounts. The DSG is calculated as part of Bolton's allocation but paid directly to the schools from the Department for Education. Existing buildings are transferred to the academy and only a nominal land value held on the asset register. Where academies have had substantial new builds and these have been undertaken by the Council, these are accounted for in the capital account and held on the balance sheet. On completion the buildings are transferred to the academy and as with other academies a nominal land value held.

**f) Free Schools**

Free schools are independent from the Council. Income and expenditure, reserves and current assets and liabilities are not within the Council's accounts. The DSG is paid directly to the schools from the Department for Education and is not part of Bolton's allocation.

**VAT**

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

**Accounting for the costs of the Carbon Reduction Commitment (CRC) Scheme**

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the Phase 2 which started on 1 April 2014, and this phase ends on the 31 March 2019. The Council is required to purchase and surrender allowances on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

**2 Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in note 1, the Council 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:

In October 2016 the Council submitted its Medium Term Financial Summary covering 2016 to 2020 and in doing so accepted the option of four year funding first outlined in the December 2015 Settlement which gives some certainty in respect of Revenue Support Grant up to 2019/20. There are a number of other grants for which there is still a high degree of uncertainty about future levels of funding for local government. However the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council 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 Council provides services.

The Council 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 2009 the Council entered into a managed service agreement for the operation of Deane Road Multi Storey Car Park. The agreement lasts for 35 years with an option to extend by a further 15 years. If the Council were to dispose of Deane Road Multi Storey Car Park it would expose itself to breach of contract and hence financial risk. As a result the car park has been valued to reflect the future reversionary interest in

the building and takes into account the restriction on the sale of the car park whilst the NCP agreement is in place.

In accounting for liabilities relating to unequal pay, the Council 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 Council 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 Council 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 Council believes it has no further liability.

The Code states that the valuation of Heritage Assets may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out by professional valuers. The Museums and Libraries collections are held at most recent insurance valuations, and Smithills Hall and Hall i'th' Wood Museums were revalued in 2016/17 year at depreciated replacement cost by our external valuers Urban Vision.

In accounting for liabilities relating to the Municipal Mutual Insurance (MMI) claw back Scheme of Arrangement, although the scheme of administration has been called, and an initial levy of 25% has been paid, the Council has judged that there is sufficient risk relating to the remaining 75% that it be classified as a contingent liability, and is included within the Insurance Reserve and Provision. (Notes 5, 16 and 38)

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pension's liability of changes in assumptions can be measured (see note 37).

The estimation of the provision for successful National Non Domestic Rates (NNDR) appeals which would result in a reduction in the Rateable Value (RV) is based on the past experience of the percentage that have been successful and the reduction of successful appeals. This figure includes an estimate for future appeals.

A judgement has been made about the group boundary relating to PSP Bolton. Under the Code (IFRS11) the arrangement is classed as a Joint Venture (see note 10).

In October 2013 the Council transferred assets (largely low value ground rents) to PSP Bolton. In return for this, as assets are developed by PSP, these will be brought on to the Council's books.

The Council undertakes its activities through a variety of undertakings, either under ultimate control or in partnership with other organisations. Those considered to be material are included in the group accounts. Profit and loss, net worth, and the value of assets and liabilities are considered individually for each organisation against a materiality limit set by the Council. An entity could be material but still not consolidated (if all of its business is with the Council and eliminated on consolidation) – i.e. the consolidation would mean that the group accounts are not materially different to the single entity accounts. The assessment of materiality also considers

qualitative factors such as whether the Council depends significantly on these entities for the continued provision of its statutory services or where there is concern about the level to which the Council is exposed to commercial risk

The Council recognises school assets for Community schools on its balance sheet. The Council has not recognised assets relating to Academies, Voluntary Aided, Voluntary Controlled, Free or Foundation schools as it is of the opinion that these assets are not controlled by the Council. Note however in most instances we do recognise the playing fields as our assets as the Council holds the legal title. School assets are recognised as a disposal from the Council's balance sheet on the date on which a school converts to Academy status. In addition the Council made use of a KPMG decision tree to validate our opinion.

### **3 Events After the Balance Sheet Date**

There are no post balance sheet events in 2016/17.

4 **Note to the Expenditure and Funding Analysis**

2015/16					2016/17			
Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other differences	Total Adjustments		Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other differences	Total Adjustments
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
				<b>Net Cost of Services</b>				
780	1,769	4,586	7,134	Adult Services/Public Health	(251)	612	3,965	4,326
4,168	5,514	1,166	10,848	Children's Services	5,584	2,455	7,222	15,262
1,011	1,118	(13,918)	(11,788)	Chief Executives	7,097	488	(14,575)	(6,989)
1,279	375	2,783	4,437	Development & Regeneration	4,584	164	2,897	7,645
9,800	1,865	3,257	14,921	Environment and Housing	5,230	867	3,265	9,363
(6,259)	(2,404)	310	(8,354)	Financial Services	(6,803)	1,592	2,314	(2,897)
<b>10,777</b>	<b>8,237</b>	<b>(1,816)</b>	<b>17,198</b>	<b>Net Cost of Services</b>	<b>15,442</b>	<b>6,179</b>	<b>5,088</b>	<b>26,709</b>
414	14,478	(984)	13,908	Other Income and Expenditure from the funding analysis	29,964	12,609	(7,919)	34,654
<b>11,191</b>	<b>22,715</b>	<b>(2,800)</b>	<b>31,106</b>	<b>Difference between the General Fund surplus/deficit and the CIES surplus/deficit</b>	<b>45,406</b>	<b>18,788</b>	<b>(2,831)</b>	<b>61,363</b>



**Expenditure and Income analysed by nature**

<b>2015/16</b>		<b>2016/17</b>
	<b>Expenditure</b>	
316,289	Employee Benefit Expenses	286,521
398,038	Other services Expenses	413,512
47,164	Support Services Recharges	45,100
26,178	Depreciation, Amortisation, impairment	39,392
21,690	Interest & Investment Payments	18,327
370	Precepts and levies	372
19,785	Loss on disposal of assets	49,805
<b>829,513</b>	<b>Total Expenditure</b>	<b>853,028</b>
	<b>Income</b>	
(542,030)	Fees charges & other service Income	(526,818)
(8,105)	Interest & investment income	(8,432)
(153,882)	Income from CT, NNDR	(162,197)
(73,693)	Grants & contributions	(61,848)
<b>(777,711)</b>	<b>Total Income</b>	<b>(759,296)</b>
<b>51,802</b>	<b>Surplus or deficit on provision of services</b>	<b>93,732</b>

## 5 Movements in Earmarked Reserves

	Note	1 April 2015	Transfers between Categories	Transfers between Committees	Receipts	Payments	1 April 2016	Transfers between Categories	Transfers between Committees	Receipts	Payments	31 March 2017
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Earmarked Statutory Reserves</b>												
Schools Delegated Budgets	1	8,329	0	0	19	(171)	8,177	0	0	390	(3,344)	5,223
Trading Accounts	2	393	(393)	0	0	0	0	0	0	0	0	0
Public Health	3	1,082	103	0	0	(98)	1,087	48	0	0	(102)	1,033
<b>Total Earmarked Statutory Reserves</b>		<b>9,804</b>	<b>(290)</b>	<b>0</b>	<b>19</b>	<b>(269)</b>	<b>9,264</b>	<b>48</b>	<b>0</b>	<b>390</b>	<b>(3,446)</b>	<b>6,256</b>
Insurance	4	16,071	0	0	0	(707)	15,364	0	0	1,757	(20)	17,101
<b>Reserves held for:</b>												
Legal requirements	6	17,451	2,099	0	2,906	(7,441)	15,015	435	(2,376)	2,044	(5,667)	9,451
Existing commitments	7	56,039	(6,379)	200	16,616	(17,212)	49,264	217	(1,123)	10,868	(25,028)	34,198
To cover future key areas of spend	8	59,650	3,455	(15)	6,145	(22,287)	46,948	809	7,711	13,320	(22,113)	46,675
To cover key areas of risk	9	21,458	904	15	7,633	(6,447)	23,563	(1,141)	(2,884)	1,812	(5,922)	15,428
Service general contingencies	10	1,830	311	(200)	1,566	(1,161)	2,346	(238)	(584)	850	(1,954)	420
Available for reallocation	11	312	(100)	0	54	(111)	155	(130)	(744)	2,344	(1,603)	22
<b>Total Earmarked Policy Reserves</b>		<b>156,740</b>	<b>290</b>	<b>0</b>	<b>34,920</b>	<b>(54,659)</b>	<b>137,291</b>	<b>(48)</b>	<b>0</b>	<b>31,238</b>	<b>(62,287)</b>	<b>106,194</b>
<b>Total Earmarked General Fund Reserves</b>		<b>172,811</b>	<b>290</b>	<b>0</b>	<b>34,920</b>	<b>(55,366)</b>	<b>152,655</b>	<b>(48)</b>	<b>0</b>	<b>32,995</b>	<b>(62,307)</b>	<b>123,295</b>
General Fund Balance	5	10,660	0	0	0	0	10,660	0	0	0	0	10,660
<b>Total Reserves and Balances</b>		<b>193,275</b>	<b>0</b>	<b>0</b>	<b>34,939</b>	<b>(55,635)</b>	<b>172,579</b>	<b>0</b>	<b>0</b>	<b>33,385</b>	<b>(65,753)</b>	<b>140,211</b>

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. Whilst these reserves have been created from revenue funding they can also be used for capital projects too. 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:** This represented the in-year surplus or deficit carried forward from the Council's trading accounts. In this instance, it related only to the Legal Services trading account which ceased to operate as a trading account from 1 April 2015.
3. **Public Health:** The Public Health grant is ring-fenced for public health functions as set out in Section 73B (2) of the National Health Services Act 2006 (as amended by the Health and Social Care Act 2012). We are required to complete a declaration that we've used the grant, or plan to use any of the grant we've set aside in reserves, for public health purposes.
4. **Insurance:** In addition to having an insurance provision, which is linked to past events, but where the timing of the obligation is uncertain, the Council holds monies in a reserve to cover potential future insurance claims.
5. **General Fund Balance:** The Council is required to keep a level of general reserves to fund emergencies, exceptional cost increases and overspends. Council approved that as a minimum Balances should be maintained at £10m, but if possible should be at a higher level.

**Earmarked Policy Reserves:** An exercise has been undertaken to examine all reserves, and these are now categorised under these main headings.

6. **Reserves we are legally required to maintain of £9.5m** include the following
  - Sinking funds we are legally obliged to maintain, and other legal liabilities from previous initiatives (£8.0m)
  - Funds held on behalf of schools, other agencies and Adult Services clients (£1.4m)
7. **Reserves with an existing commitment of £34.2** include the following
  - Funding held to meet the costs of committed Capital projects and allocations to meet specific investment initiatives agreed by the Council (£21.4m)
  - Capital reserves held on behalf of schools (£6.8m)
  - Funding accumulated to even out the Waste Levy over a number of years to avoid major peaks and troughs (£3.6m)
  - Schools' Centrally held and Standards Fund balances of (£2.1m)
  - Schemes for Neighbourhood Management, Sport and the Town Centre (£0.6m)
8. **Reserves to cover key areas of known future spend of £46.7m** include

- Funds have been set aside from reserves identified for re-allocation to cover the cash flow consequences of savings during the 2017/19 budget process and balancing the 2017/19 budgets (£29.3m)
- To cover work on future town centre programme initiatives (£3.6m)
- IT systems and kit refresh funding set aside to meet the cost of the Council's major systems upgrades, e.g. Oracle, Tax & Benefits, Customer Services and Telephony, Schools systems, the replacement of hardware. It is anticipated that all of this funding will be required over the next 3 years (£3.4m)
- Adults Social Care – Demographic Pressures (£1.6m)
- No overall contingency is included in the Council's revenue budget, but the costs of energy and fuel can change at short notice during the year, so funding has been set aside to cover any significant in-year increases (£0.6m)
- Earmarked funds held on behalf of schools (£1.9m)
- Funds held on behalf of other agencies (£1.0m)
- Money held for capital projects (£3.1m)
- Money held for other revenue projects (£2.0m)

**9. Reserves to cover key areas of risk of £15.4m** include

- The cost to the Council of Council Tax Benefits and Housing Benefits can vary significantly from year to year and an amount has been set aside to cover possible overspends (£5.5m)
- Costs may fall on the Council for outstanding liabilities following the housing stock transfer, such as future environmental risks or Equal Pay risks (£4.9m)
- Funds to cover high cost placements within Adult Services (£1.0m)
- All departments have identified a number of smaller risk items £2.1m

**10. Reserves to cover service general contingencies of £0.4m** are amounts set aside to meet any overspends or exceptional items of spend facing individual services during the financial year. Under Council standing orders, services have to manage within their overall budget allocations each year.

The amounts included in Earmarked Reserves are analysed **by department** below:

	<b>Opening Balance £000s</b>	<b>Closing Balance £000s</b>	<b>Movement £000s</b>
Insurance	15,364	17,101	1,737
Other central reserves	83,283	66,753	(16,530)
Children's Services	18,686	12,797	(5,889)
Environmental Services	9,092	4,938	(4,154)
Development & Regeneration	10,250	9,334	(916)
Housing GRF	2,288	2,176	(112)
Adult Services	13,639	10,128	(3,511)
Public Health	53	68	15
<b>Total Earmarked General Fund Reserves</b>	<b>152,655</b>	<b>123,295</b>	<b>(29,360)</b>

**6 Adjustments to Accounting and Funding Basis**

	Usable Reserves			Movements in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
2015/16	£000s	£000s	£000s	£000s
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<b>Reversal of items debited or credited to the CIES</b>				
Charges for Depreciation, impairment and amortisation of non-current assets	(22,399)	0	0	22,399
Revaluation/impairment losses on PPE	(3,773)	0	0	3,773
Movement in fair value of investment properties	1,982	0	0	(1,982)
Capital grants & contributions applied	7,937	0	0	(7,937)
Revenue expenditure funded by capital under statute	(972)	0	0	972
Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to CIES	(31,567)	0	0	31,567
<b>Insertion of items not credited or debited to CIES</b>				
Statutory provision for the financing of capital investment	6,859	0	0	(6,859)
Capital Expenditure charged against the General Fund	12,029	0	0	(12,029)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>				
Capital grants & contributions unapplied credited to the CIES	8,919	0	(8,919)	0
Application of grants to capital financing transferred to the CAA	0	0	2,245	(2,245)
<b>Adjustments primarily involving the Capital receipts Reserve</b>				
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES	9,794	(9,793)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	4,527	0	(4,527)
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES	(50,829)	0	0	50,829
Employers' contributions & direct payments to pensioners' payable in the year.	28,114	0	0	(28,114)
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
Amount by which the CT and NDR income credited to the CIES is different from CT and NDR income calculated for the year in accordance with statutory requirements	90	0	0	(90)

	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000s	£000s	£000s	£000s
<b>2015/16</b>				
<b>Adjustments primarily involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charge to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,710	0	0	(2,710)
<b>Total Adjustments</b>	<b>(31,106)</b>	<b>(5,266)</b>	<b>(6,674)</b>	<b>43,047</b>

	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000s	£000s	£000s	£000s
<b>2016/17</b>				
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<b>Reversal of items debited or credited to the CIES</b>				
Charges for Depreciation, impairment and amortisation of non-current assets	(20,636)	0	0	20,636
Revaluation/impairment losses on PPE	(18,756)	0	0	18,756
Movement in fair value of investment properties	2,539	0	0	(2,540)
Capital grants & contributions applied	6,978	0	0	(6,978)
Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to CIES	0	0	0	0
<b>Insertion of items not credited or debited to CIES</b>	(56,345)	0	0	56,345
Statutory provision for the financing of capital investment	7,405	0	0	(7,405)
Capital Expenditure charged against the General Fund	19,004	0	0	(19,004)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>				
Capital grants & contributions unapplied credited to the CIES	12,863	0	(12,863)	0
Application of grants to capital financing transferred to the CAA	0	0	9,384	(9,384)
Application of grants to capital finance Revenue Expenditure funded from capital under statute	(1,447)	0	1,447	0
<b>Adjustments primarily involving the Capital receipts Reserve</b>				
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES	3,751	(3,751)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	1,943	0	(1,943)
Use of the Capital Receipts finance new Revenue expenditure Funded from capital under statute	(1,012)	1,012	0	0
Transfer from Deferred capital receipts Reserve upon receipt for cash	250	0	0	(250)
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES	(45,878)	0	0	45,878
Employers' contributions & direct payments to pensioners' payable in the year.	27,090	0	0	(27,090)

	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000s	£000s	£000s	£000s
<b>2016/17</b>				
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b> Amount by which the CT and NDR income credited to the CIES is different from CT and NDR income calculated for the year in accordance with statutory requirements	5,204	0	0	(5,204)
<b>Adjustments primarily involving the Accumulated Absences Account</b> Amount by which officer remuneration charge to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2,373)	0	0	2,373
<b>Total Adjustments</b>	<b>(61,363)</b>	<b>(796)</b>	<b>(2,032)</b>	<b>64,190</b>



## 7 Property, Plant and Equipment

Comparative movements in 2015/16

	Other Land & Buildings	Vehicles, Plant Furniture & Equipment	Infrastructure	Community Assets	Surplus Assets	Total Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s
Gross book value brought forward	391,247	35,098	154,961	10,122	2,145	593,573
Accumulated depreciation & impairment brought forward	(21,782)	(24,470)	(40,228)	(12)	0	(86,492)
<b>Net Book Value brought forward as at 31 March 2015</b>	<b>369,465</b>	<b>10,628</b>	<b>114,733</b>	<b>10,110</b>	<b>2,145</b>	<b>507,081</b>
Additions	10,117	4,943	13,321	557	0	28,938
Revaluations recognised in the revaluation reserve	11,390	0	0	0	109	11,499
Revaluations recognised in the CI&E	(3,658)	0	0	0	67	(3,591)
Disposals	(25,690)	(888)	0	(452)	(1,019)	(28,049)
Transfers	1,114	(24)	0	0	(405)	685
Depreciation	(9,541)	(5,829)	(6,715)	0	0	(22,085)
Impairments charged to the CI&E	(182)	0	0	0	0	(182)
<b>Net Book Value carried forward as at 31 March 2016</b>	<b>353,015</b>	<b>8,830</b>	<b>121,339</b>	<b>10,215</b>	<b>897</b>	<b>494,296</b>
Gross book value carried forward	376,386	28,611	168,282	10,215	897	584,391
Accumulated depreciation & impairment carried forward	(23,371)	(19,781)	(46,943)	0	0	(90,095)
<b>Net Book Value carried forward as at 31 March 2016</b>	<b>353,015</b>	<b>8,830</b>	<b>121,339</b>	<b>10,215</b>	<b>897</b>	<b>494,296</b>

PFI assets included in Property, Plant and Equipment £7.915m

## Property, Plant and Equipment – Movement in the year 2016/17

	Other Land & Buildings	Vehicles, Plant Furniture & Equipment	Infrastructure	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Gross book value brought forward	376,386	28,611	168,282	10,215	0	897	584,391
Accumulated depreciation & impairment brought forward	(23,371)	(19,781)	(46,943)	0	0	0	(90,095)
<b>Net Book Value brought forward as at 31 March 2016</b>	<b>353,015</b>	<b>8,830</b>	<b>121,339</b>	<b>10,215</b>	<b>0</b>	<b>897</b>	<b>494,296</b>
Additions	18,555	6,568	16,382	160	5,099	0	46,764
Revaluations recognised in the revaluation reserve	23,856	0	0	0	0	590	24,446
Revaluations recognised in the CI&E	(18,776)	0	0	0	0	0	(18,776)
Disposals	(53,542)	(1,360)	0	(160)	0	0	(55,062)
Transfers	3,874	0	0	0	0	275	4,149
Depreciation	(8,698)	(4,515)	(7,370)	0	0	0	(20,583)
Impairments charged to the CI&E	0	0	0	0	0	0	0
Impairments charged to the revaluation reserve	0	0	0	0	0	0	0
<b>Net Book Value carried forward as at 31 March 2017</b>	<b>318,284</b>	<b>9,523</b>	<b>130,351</b>	<b>10,215</b>	<b>5,099</b>	<b>1,762</b>	<b>475,234</b>
Gross book value carried forward	340,107	26,168	184,663	10,215	5,099	1,762	568,014
Accumulated depreciation & impairment carried forward	(21,823)	(16,645)	(54,312)	0	0	0	(92,780)
<b>Net Book Value carried forward as at 31 March 2017</b>	<b>318,284</b>	<b>9,523</b>	<b>130,351</b>	<b>10,215</b>	<b>5,099</b>	<b>1,762</b>	<b>475,234</b>

PFI assets included in Property, Plant and Equipment £7.86m

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

	Operational property £000s	Surplus assets £000s	Vehicles, plant and equipment £000s	Total Property, Plant & Equipment £000s
Valued at Historical Cost	0	0	9,523	9,523
Valued at Current Value in				
2016/17	94,384	865	0	95,249
2015/16	36,874	522	0	37,396
2014/15	37,836	375	0	38,211
2013/14	131,754	0	0	131,754
Pre 13/14	17,437	0	0	17,437
<b>Total Property, Plant &amp; Equipment</b>	<b>318,285</b>	<b>1,762</b>	<b>9,523</b>	<b>329,570</b>

### Heritage Assets: Summary of Transactions

The Code recommends a summary of acquisitions, donations and disposals by category relating to Heritage assets.

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

Traditionally, around 100 objects are acquired for the collections every year (in 2016/17 this number was 92). The vast majority of these are donated by individuals or organisations and are social history items with nominal values. In 2016/17 the one purchase made in this financial period, was a collage by Julian Tervelyan at a cost of £20,000. Other acquisitions in 2016/17 (made by donation rather than purchase) were an image of plans of The Chadwick Museum.

There have been no acquisitions or disposals relating to the historic buildings.

There have been no disposals during 2016/17.

The table below shows the value of the heritage assets during 2016/17:

	£000s
Gross book value brought forward	69,323
Accumulated depreciation & impairment brought forward	
<b>Net Book Value brought forward as at 31 March 2016</b>	<b>69,323</b>
Additions	55
Revaluations recognised in the revaluation reserve	(1,613)

<b>Net Book Value carried forward as at 31 March 2017</b>	<b>67,765</b>
Gross book value carried forward	67,765
Accumulated depreciation & impairment carried forward	0
<b>Net Book Value carried forward as at 31 March 2017</b>	<b>67,765</b>

### **Heritage Assets: Further Information on the Library & Museums' Collections**

Bolton is fortunate to have cultural collections of particular breadth and quality, especially for a local authority of its size. Details of these assets and the Council's policies for the acquisition, preservation, management and disposal of Heritage assets can be seen under the Bolton Library & Museums Services section of the Council's website at <http://www.boltonmuseums.org.uk/about>

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

Professional officers (e.g. an archivist, local studies librarian, museum collection access officers) are employed within the service to actively manage the collections in accordance with the policies. Most importantly, they ensure the collections are actively used by answering enquiries, curating displays, delivering services for schools, running events and activities, talks and tours.

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

All three major museum sites have been awarded Museum Accreditation status and the archive is a legally recognised public repository. As is typical with most museums, around 5 to 10% of the collections are on display at any one time; with a far lower percentage for archive and library holdings. However, it should be emphasised that all the collections are publically accessible on request and are a much valued resource used for everything from serious academic study to student art projects.

Individual items from the museum collections are occasionally lent to other local, regional national and international museums. The Service will also take in some items on loan, usually for specific exhibitions. Entry, exit, care and insurance of such materials is strictly managed according to professional standards. Transactions into and out of the collections are particularly tightly managed. All acquisitions are guided by a strict policy which dictates what material can be added to collections and in what circumstances. It also sets priority areas for active or passive collecting.

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

All such policies, along with significant collection transactions (i.e. major purchases and all proposed disposals) are subject to formal approval by Elected Members. The management of the collections is guided by recognised and externally assessed professional museum and archive standards. These ensure that the collections are managed for the public good in a clear and accountable fashion and cover all aspects of museum and archive functions; including acquisition and disposal of material, public access, care of collections, documentation and record keeping, insurance and object movement.

### Capital Commitments

At 31 March 2017, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and beyond. The major commitments are:

Approved and Contracted Schemes	£000s
Wilfred Geere Refurbishment	59
Surface Pro Purchase	17
Alderbank Demolition	5
Wilfred Geere furniture	3
IT solutions across Winifred Kettle and Brazley	12
Thicketford - Autism Centre-Decoration/Refurbishment	9
Day Care - Brazley	81
Winifred Kettle Refurb	138
Building Maintenance Plan	537
School Capital Support Fund	422
Schools Access Initiative	20
Primary Expansion Programme	5,783
Special School Expansion Programme	4,946
D&R Capital	6,982
Highways Capital	1,128
Non Highways Capital	1,342
<b>Total</b>	<b>21,484</b>

<b>Schemes Approved But Not Contracted</b>	<b>£000s</b>
Adult Services Major Repairs	49
Supported Housing Developments	304
Day Care - Jubilee	1,250
Day Care - Harrowbys	50
2-4 New Lane (Respite House)	25
Building Maintenance Plan	2,000
School Capital Support Fund	200
Schools Access Initiative	200
Devolved Formula Capital	1,272
Primary Expansion Programme	3,000
Capital Slippage – Chief Execs	4,535
Secondary Expansion Programme	5,000
Primary Places	205
Youth and Play Centres	428
Free Breakfast Clubs	240
Leisure and Youth Provision Cabinet	705
Two Year Old Funding	100
Children Social Care - DFG	30
D&R Capital Slippage	356
Highways Capital Slippage	8,539
Non Highways Capital Slippage	1,824
Housing Capital Slippage	4,546
<b>Total</b>	<b>34,858</b>

## 8 Investment Properties

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

	<b>2016/17 £000s</b>	<b>2015/16 £000s</b>
Rental income from investment property	2,412	2,473
Direct operating expenses arising from investment property	(816)	(716)
<b>Net gain/(loss)</b>	<b>1,596</b>	<b>1,757</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or to repair, maintain or enhance it.

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

	<b>2016/17 £000s</b>	<b>2015/16 £000s</b>
<b>Balance at start of the year</b>	40,593	41,232
Additions: purchases	0	1,691
Disposals	(852)	(3,218)
Net gains/losses from fair value adjustments	2,539	1,982
Reclassifications	(4,149)	(1,090)
Other changes	(40)	(4)
<b>Balance at end of the year</b>	<b>38,091</b>	<b>40,593</b>

**9 Intangible Assets**

The Council regards the cost of purchased software as an intangible asset, which is amortised over its expected useful life.

	<b>2016/17</b> <b>£000s</b>	<b>2015/16</b> <b>£000s</b>
<b>Balance at start of the year</b>	401	293
Additions: purchases	275	418
Amortisation in year	(174)	(310)
Other changes	(6)	0
<b>Balance at end of the year</b>	<b>496</b>	<b>401</b>
<b>Comprising:</b>		
Gross carrying amount	931	1,143
Accumulated amortisation	(435)	(742)
	<b>496</b>	<b>401</b>

**10 Financial Instruments****Categories of Financial Instruments**

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

	Long-term		Current	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
<b>Investments</b>				
Loans and receivables:				
Banks and other financial institutions (net of impairment)	0	0	74,476	104,550
Available-for-sale financial assets (Manchester Airport)	43,700	39,800	0	0
Available-for-sale financial assets (JP Morgan Trust)	538	464	0	0
Unquoted equity investment at cost (Local Education Partnership)	16	16	0	0
<b>Total Investments</b>	<b>44,254</b>	<b>40,280</b>	<b>74,476</b>	<b>104,550</b>
<b>Debtors</b>				
Loans and receivables:				
Advances to Manchester Airport PLC	8,972	8,972	0	0
PSP Bolton	10,468	10,468	0	0
Middlebrook Leisure Trust	24	79	0	0
Former Magistrates Authorities (10 Greater Manchester Districts)	733	761	0	0
Long term leasing	52	117	0	0
Financial assets carried at contract amounts	0	0	32,081	33,359
NW Evergreen Ltd Partnership	131	131	0	0
Bolton at Home Equal Pay	378	378	0	0
Bolton Wise	507	668	0	0
Daubhill Muslim Society	250	0	0	0
<b>Total Debtors</b>	<b>21,515</b>	<b>21,574</b>	<b>32,081</b>	<b>33,359</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost – Market Loans	79,250	79,250	0	0
Short-term borrowings	0	0	10,000	3,000
LOBO Interest Rate Equalisation	624	642	17	17
<b>Total Borrowings</b>	<b>79,874</b>	<b>79,891</b>	<b>10,017</b>	<b>3,017</b>
<b>Other Long Term Liabilities</b>				
Private Finance Initiative (PFI)	6,630	7,007	0	0
Finance Leases	676	676	0	0
Ex-GMC residual debt	5,341	6,462	1,096	1,071
<b>Total Other Long Term Liabilities</b>	<b>12,647</b>	<b>14,145</b>	<b>1,096</b>	<b>1,071</b>
<b>Creditors</b>				
Financial liabilities carried at contract amounts	0	0	46,875	43,850
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>46,875</b>	<b>43,850</b>



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

- Bolton Council owns 3.22% of the non-voting shares in Manchester Airport Group (MAG) and will receive 3.22% of the dividends. The shareholding can be valued using the earnings based method and discounted cash flow method. In the year the Council received dividends of £4.006m (of which £1.516m was in advance of the 17/18 financial year). MAG's most recent accounts for the year ending 31 March 2016 indicated the company had net assets of £1,588.7m (£1,554.6m the previous year) and made a profit of £116.7m after taxation (£68.6m in the previous year). Further information and details of the Manchester Airport Group PLC financial statements may be obtained from the Company Secretary, Olympic House, Manchester Airport Group PLC, Manchester M90 1QX. Manchester Airport Holdings Ltd accounts are not yet available.
- 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.
- In August 2015 the Council agreed to the creation of a Local Authority Trading Company (LATC) to deliver certain Adult Social Care Services. In September 2015 three companies were registered at Companies House:
  - Bolton Care and Support Limited
  - Bolton Care and Support (A) Limited
  - Bolton Care and Support (B) Limited

The three companies are guaranteed by shares, each Company has 1 share with a value of £10 and these have been fully paid by the Council.

In July 2016 Bolton Care and Support Limited and Bolton Care and Support (A) Limited started to trade and Council staff were TUPE'd into Bolton Care and Support (A) Limited.

During the year the names of 2 of the companies has changed as follows:

- Bolton Care and Support (A) Limited is now Bolton Cares (A) Limited
- Bolton Care and Support (B) Limited is now Bolton Cares (B) Limited

The three companies are collectively known as Bolton Cares.

Bolton Cares (B) Limited remains dormant.

- PSP Bolton: On 6 December 2011 the Council entered into an agreement with PSP Facilitating Ltd to establish a Limited Liability Partnership, trading as PSP Bolton LLP. This is classed as a Joint Venture. The partnership was established to facilitate property related projects, which could include the identification and disposal of surplus assets, facilitation of regeneration schemes, portfolio management and the investment of private sector funds in projects to mutual benefit.

- The Council initially granted Options to Purchase on a number of assets to PSP Bolton for £1 each. Assets are sold to third parties and the Council is guaranteed a minimum receipt determined by professional valuers and agreed by both parties. Assets can be added to the list as opportunities are identified. During the year 2 assets were sold, generating £385k in receipts. There are currently 4 assets on the list comprising three investment properties and one held for sale asset
- On 26 July 2013 a fully owned subsidiary of PSP Bolton LLP was established, called PSP Bolton (GR) LLP, in order to create a separate vehicle which would specifically acquire a large number of low value assets from the Council, mainly ground rents, and either dispose of them or manage them. The value of these assets was £14.25 million, and the Council will receive in return either a smaller number of higher value assets, which will generate the same income flow as the assets disposed of, the income flow from any PSP developed assets, or will receive cash. To date, the Council has received 1 asset (Bolton Travelodge) and will receive the rental income from the Interchange Office block. The amount outstanding from PSP Bolton (GR) has been recognised in our accounts as a deferred capital receipt (£10.5m). Until the Council receives rental income equivalent to that foregone when the 2013 transfer occurred, the Council is entitled to a revenue compensation payment from PSP Bolton (GR) LLP. The Council received £318k in compensation payment in 2016/17
- The amount owed to Bolton Council is £4,219,729 which is retained within PSP Bolton LLP to fund future projects
- For the purposes of consolidated (group) accounting, the partnership represents a Joint Venture entity, in which the Council and PSP Facilitating Ltd have joint control, according to a Members' agreement. As such, the share of the Council's holding should be consolidated into group accounts using the equity accounting method. However, under this method, due to the fact that the net assets are virtually zero, group accounts would give no additional information to that already included in the Council's single entity four core statement
- Both PSP Bolton LLP and PSP Bolton (GR) LLP have an accounting date as at 30 April. The provisional assets and liabilities of both partnerships as at 30 April 2017 are summarised below:

- Please note these figures are in pounds, not thousands of pounds.

	PSP Bolton LLP		PSP Bolton (GR) LLP	
	To 30 April 2016 £	To 30 April 2017 £	To 30 April 2016 £	To 30 April 2017 £
<b>Fixed Assets</b>				
Investments	1	1	0	0
<b>Current Assets</b>				
Stock	192,529	7,326,389	7,626,352	6,636,760
Debtors (incl amounts due from Members)	3,322,404	4,356,949	5,752,770	129,337
Prepayments	2,595	0	0	
Amounts Recoverable on Long Term Contracts	2,667,708	0	0	
Cash	5,802,284	4,912,853	563,289	1,137,055
<b>Total Assets</b>	<b>11,987,521</b>	<b>16,596,192</b>	<b>13,942,411</b>	<b>7,903,152</b>
Creditors amounts due within 1 year	(707,491)	(8,453,231)	(95,387)	(390,526)
Loans & debts due to members	(5,674,577)	(8,142,959)	(3,322,404)	(4,398,967)
Amounts owed to Group	(5,605,451)	0	(10,524,618)	(3,113,657)
<b>Total Liabilities</b>	<b>(11,987,519)</b>	<b>(16,596,190)</b>	<b>(13,942,409)</b>	<b>(7,903,150)</b>
<b>Net Assets</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Represented by:</b>				
<b>Members' capital classified as equity</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Total Members' Interest</b>				
Amounts due from Members (included in debtors)	0	0	(5,605,451)	0
Loans and other debts due to Members in creditors	5,674,577	8,142,959	3,322,404	4,398,967
Members' interest	2	2	2	2
	<b>5,674,579</b>	<b>8,142,961</b>	<b>(2,283,045)</b>	<b>4,398,969</b>
Status of accounts	Final	Unaudited	Final	Unaudited

## Financial Instruments - Income, Expenses, Gains and Losses

	2016/17					2015/16				
	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	4,168	0	0	0	4,168	4,041	0	0	0	4,041
<b>Total expense in Surplus or (Deficit) on the Provision of Services</b>	<b>4,168</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,168</b>	<b>4,041</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,041</b>
Interest income and dividends	0	912	19	4,006	4,937	0	1,258	19	3,267	4,544
Interest income accrued on impaired financial assets	0	0	0	0	0	0	0	0	0	0
<b>Total income in Surplus or (Deficit) on the Provision of Services</b>	<b>0</b>	<b>912</b>	<b>19</b>	<b>4,006</b>	<b>4,937</b>	<b>0</b>	<b>1,258</b>	<b>19</b>	<b>3,267</b>	<b>4,544</b>
Gains (Loss) on revaluation	0	0	74	3,900	3,974	0	0	(30)	(1,200)	(1,230)
<b>Surplus/(Deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>74</b>	<b>3,900</b>	<b>3,974</b>	<b>0</b>	<b>0</b>	<b>(30)</b>	<b>(1,200)</b>	<b>(1,230)</b>
<b>Net gain/(loss) for the year</b>	<b>(4,168)</b>	<b>912</b>	<b>93</b>	<b>7,906</b>	<b>4,743</b>	<b>(4,041)</b>	<b>1,258</b>	<b>(11)</b>	<b>2,067</b>	<b>(727)</b>

## 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 2017 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;
- 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 2017		31 March 2016	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Financial Liabilities:				
Market Loans	79,891	175,826	79,909	120,342
Trade Creditors	46,875	46,875	43,850	43,850
Bank Overdrawn and Short Term Borrowing	13,577	13,577	5,084	5,084
<b>Total Financial Liabilities</b>	<b>140,343</b>	<b>236,278</b>	<b>128,843</b>	<b>169,276</b>

The fair value of liabilities is higher than the carrying amount because the Council'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 2017		31 March 2016	
	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	74,476	74,592	104,550	104,746
Money Market Loans More than One Year	0	0	0	0
Trade Debtors	32,081	32,081	33,359	33,359
<b>Total Loans and Receivables</b>	<b>115,529</b>	<b>115,645</b>	<b>146,881</b>	<b>147,077</b>

The differences per the 31 March 2016 financial statements are attributable to fixed interest instruments receivable being held by the Council whose interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of loans and receivables.

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.

## **11 Nature and Extent of Risks Arising from Financial Instruments**

### **Key Risks**

The Council'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 Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in interest rates movements.

The Council'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 and investment strategies, which incorporates the prudential indicators was approved by Council on 24 February 2016 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 Council'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 counterparties 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) are:

- **Banks 1** - good credit quality – the Council will only use banks which are UK banks and have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):
  - i. Short term – *F1/P1/A1*
  - ii. Long term – *A-/A3/A-*
  - iii. Viability / financial strength – *bb+/C*(Fitch/Moody's only)

iv. Support – 3 (Fitch only)

- **Banks 2** – Part nationalised UK banks – Lloyds Banking Group (Lloyds Bank and Bank of Scotland) and Royal Bank of Scotland (Royal Bank of Scotland and National Westminster Bank). These banks can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.
- **Banks 3** – the Council's own banker (Barclays Bank) if the bank falls below the above criteria.
- **Building societies.** The Council will use all societies which meet the ratings for Banks 1 outlined above.
- **UK Government (the DMADF)**
- **Local Authorities, parish Councils etc.**
- **Money Market Funds – AAA with a Fixed Net Asset Value (NAV).**

Deposits are not made with banks and financial institutions unless they are rated independently to have a sound credit rating. Based upon past experience the investments held at the 31 March 2017 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		
		2017 £000s	2016 £000s	
Bonds	3.90 to 12.125	79,250	79,250	
Mortgages		0	0	
<b>Total Borrowing</b>		<b>79,250</b>	<b>79,250</b>	
Less: Due within 12 Months on demand		1,000	0	
		<b>78,250</b>	<b>79,250</b>	
An Analysis of Loans by Maturity at 31 March : Amounts of Principal to be Repaid				
Within 1 year			1,000	0
In 1 to 2 Years			250	0
In 2 to 5 Years			0	1,250
In 5 to 10 Years			0	0
10 - 20 Years		0	0	
After 20 Years		78,000	78,000	
		<b>79,250</b>	<b>79,250</b>	

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

**Market risk****Interest rate risk**

The Council 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 Council. 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 Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 50% of its net debt in variable rate loans and investments. None of the Council's borrowings held at the 31 March 2017 were in variable rate loans (accordingly our policy was satisfactorily met). 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 Council'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:

	<b>£000s</b>
Increase in interest payable on variable rate borrowings	593
Increase in interest receivable on variable rate investments	(120)
<b>Impact on Income and Expenditure Account</b>	<b>473</b>
Decrease in fair value of "available-for-sale" investment assets	442
Impact on MIRS	442
<b>Decrease in fair value of fixed rate investment assets – (no impact on CIES &amp; MIRS)</b>	<b>0</b>

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

### Price risk

The Council does not generally invest in equity shares or marketable bonds but does have a holding to the value of £0.538m in an investment trust, which will only be realised in favourable circumstances. The Council 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 fair value and historic cost respectively.

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 £26,900 gain or loss being recognised in the MIRS.

### Foreign exchange risk

The Council has no foreign exchange exposure.

## 12 Inventories

	Consumable Stock	
	2016/17 £000s	2015/16 £000s
<b>Balance outstanding at start of year</b>	734	944
Purchases	852	720
Recognised as an expense in the year	(717)	(929)
Written off balances	0	(1)
<b>Balance outstanding at year end</b>	<b>869</b>	<b>734</b>

## 13 Debtors

	31 March 2017 £000s	31 March 2016 £000s
Central government bodies	5,056	6,874
Other local authorities	271	384
NHS bodies	703	2,550
Public corporations and trading funds	18,223	15,610
Other entities and individuals	26,626	26,872
<b>Sub total</b>	<b>50,879</b>	<b>52,290</b>
Less: Provision for Bad Debts	(18,799)	(18,931)
<b>Total</b>	<b>32,080</b>	<b>33,359</b>

**14 Cash and Cash Equivalents**

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

	<b>31 March 2017 £000s</b>	<b>31 March 2016 £000s</b>
<b>Cash held by the Council</b>		
Bank current accounts	7,997	8,892
Bank Call accounts and Money Market Funds	12,005	8,708
<b>Total Cash held by the Council</b>	<b>20,002</b>	<b>17,600</b>
Bank Overdraft	(2,888)	(1,417)
<b>Total Cash and Cash Equivalents</b>	<b>17,114</b>	<b>16,183</b>

**15 Creditors**

	<b>31 March 2017 £000s</b>	<b>31 March 2016 £000s</b>
Central government bodies	7,732	7,767
Other local authorities	818	1,324
NHS bodies	812	1,133
Public corporations and trading funds	21,315	22,971
Other entities and individuals	10,276	7,058
Teacher's Pensions Scheme	2,124	2,172
Short term accumulated absences account	3,799	1,425
<b>Total</b>	<b>46,875</b>	<b>43,850</b>

**16 Provisions**

	<b>Self- insurance – liability &amp; fire (1) £000s</b>	<b>Carbon Reduction Commitment (2) £000s</b>	<b>Business Rates Appeals (3) £000s</b>	<b>Chadwick's Site (4) £000s</b>	<b>Bolton Care and Support (A) Ltd (5) £000s</b>	<b>Total £000s</b>
<b>Balance at 1 April 2016</b>	7,752	92	3,846	3,000	6,418	21,108
Additions in year	3,071	0	1,061	0	0	4,132
Amounts used in year	(2,164)	0	(1,543)	(3,000)	(5,860)	(12,567)
Unused amounts reversed in year	(1,758)	0	0	0	0	(1,758)
<b>Balance at 31 March 2017</b>	<b>6,901</b>	<b>92</b>	<b>3,364</b>	<b>0</b>	<b>558</b>	<b>10,915</b>
<b>Split as:</b>						
Short term	986	92	1,500	0	558	3,136
Long term	5,915	0	1,864	0	0	7,779
<b>Total</b>	<b>6,901</b>	<b>92</b>	<b>3,364</b>	<b>0</b>	<b>558</b>	<b>10,915</b>

**Notes**

1. In accordance with IAS 37 the Insurance Liabilities at 31 March 2017 are estimated to be £6,901,000.

2. The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in Phase 2 which will last until 31 March 2019. The Council is required to purchase and surrender allowances on the basis of emissions i.e. carbon dioxide produced as energy is used. The provision created relates to unused credits.
3. This is Bolton Council's share (49%) of the estimated impact of outstanding Business Rates Appeals at the 31 March 2017.
4. The Chadwick's Recycling Centre (a waste collection site) went into liquidation in late 2015/16. The Council had concern from a public health perspective that the collection of waste would become a health hazard if it was not properly dealt with. In early June 2016 the land transferred into Council ownership and work subsequently started on the removal and safe disposal of the waste. The Council has created a provision to cover this.
5. In August 2015 the Council agreed to the creation of a Local Authority Trading Company (LATC) to deliver specific Adult Social Care Services. In September 2015 three companies were registered at Companies House:
  - Bolton Care and Support Limited
  - Bolton Care and Support (A) Limited
  - Bolton Care and Support (B) Limited

The three companies are guaranteed by shares which are owned by the Council and it is anticipated that Bolton Care and Support Ltd and Bolton Care and Support (A) Ltd began trading on 1 July 2016. Staff who are currently working in the services that are transferring to Bolton Care and Support (A) Ltd were given 3 options: TUPE, Voluntary Severance/Early Retirement or Settlement payment to transfer to the new Terms and Conditions of the Company. A provision has been created to cover the estimated costs of the staff options.

#### 17 Cash Flow Statement – Adjustment on provision of services for non-cash movements

2015/16 £000s		2016/17 £000s
(22,399)	Depreciation of Non-Current Assets	(20,636)
(182)	Impairment of Non-Current Assets	0
(22,715)	Pension Fund adjustments	(18,788)
0	Impairment losses on loans & advances debited to the CI&E in year	0
(8,864)	Contributions to Provisions	10,193
(31,567)	Carrying amount of PP&E, investment property and intangible assets sold	(56,345)
(1,609)	Other non-cash movement	(16,218)
<b>(87,336)</b>		<b>(101,794)</b>
	Accruals adjustments:	
(210)	Increase/(Decrease) in Inventories	135
5,953	Increase/(Decrease) in Debtors	(1,468)
72	Increase/(Decrease) in Interest Debtors	(74)
9,877	(Increase)/Decrease in Creditors	(3,025)
75	(Increase)/Decrease in Interest Creditors	(3)
<b>15,767</b>		<b>(4,435)</b>
<b>(71,569)</b>	<b>Total Adjustment to net Surplus or deficit on the provision of services for non-cash movements</b>	<b>(106,229)</b>

**18 Cash Flow Statement – Adjustment on provision of services for investing or financing activities**

2015/16 £000s		2016/17 £000s
9,793	Proceeds from the disposal of PPE, investment property and intangible assets	4,001
19,372	Capital Grants credited to Surplus or deficit on the provision of services	19,840
<b>29,165</b>		<b>23,841</b>

**19 Cash Flow Statement - Operating Activities**

The cash flows for operating activities include the following items:

2015/16 £000s		2016/17 £000s
(1,204)	Interest received	(1,008)
4,099	Interest paid	4,149
(3,286)	Dividends received	(4,025)

**20 Cash Flow Statement - Investing Activities**

2015/16 £000s		2016/17 £000s
31,047	Purchase of property, plant and equipment, investment property and intangible assets	47,093
132,000	Purchase of short-term and long-term investments	82,900
(9,793)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,001)
(147,000)	Proceeds from short-term and long-term investments	(112,900)
(19,372)	Other investing activities	(19,840)
<b>(13,118)</b>	<b>Net cash flows from investing activities</b>	<b>(6,748)</b>

**21 Cash Flow Statement - Financing Activities**

2015/16 £000s		2016/17 £000s
(3,000)	Cash receipts of short-term and long-term borrowing	(25,000)
364	Finance leases and on balance sheet PFI contracts	377
4,000	Repayments of short-term and long-term borrowing	18,000
1,037	Other payments for financing activities	1,096
<b>2,401</b>	<b>Net cash flows from financing activities</b>	<b>(5,527)</b>

**22 Trading Operations**

Activity	Note	2016/17			2015/16			2014/15		
		Income £000s	Expenditure £000s	(Surplus) / Deficit £000s	Income £000s	Expenditure £000s	(Surplus) / Deficit £000s	Income £000s	Expenditure £000s	(Surplus) / Deficit £000s
Markets	1	1,390	1,325	(65)	4,373	4,292	(81)	1,462	1,474	12
Building Control	2	360	360	0	379	380	1	409	409	0
Special Needs Transport	3	5,358	5,325	(33)	4,965	4,934	(31)	4,904	4,873	(31)
Security & Response	4	2,045	1,979	(66)	1,948	1,955	7	2,297	2,427	130
Schools & Welfare Catering	5	8,830	9,257	427	7,940	8,314	374	7,302	8,348	1,046
Fleet Management	6	6,022	6,010	(12)	6,321	6,284	(37)	6,826	6,529	(297)
Building Cleaning	7	2,375	2,819	444	2,570	2,842	272	2,692	2,953	261
Legal *	8				0	0	0	1,627	1,627	0
Civic Cleaning	9	837	859	22	674	730	56	793	726	(67)
<b>(Surplus) / Deficit</b>		<b>27,217</b>	<b>27,934</b>	<b>717</b>	<b>29,170</b>	<b>29,731</b>	<b>561</b>	<b>28,312</b>	<b>29,366</b>	<b>1,054</b>

Trading operations are incorporated into the CIES. Some are an integral part of one of the Council's services to the public (e.g. markets) whilst others are support services to the Council's services to the public (e.g. schools and welfare catering). The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations.

2015/16 £000s		2016/17 £000s
	<b>Net (Surplus) Deficit on Trading Operations:</b>	
(81)	Services to the public included in Expenditure of Continuing Operations	(65)
642	Support services recharged to Expenditure of Continuing Operations	782
<b>561</b>	<b>Net (surplus) deficit credited to Other Operating Expenditure</b>	<b>717</b>

**Note:**

- 1. Markets** – this activity hosts retail markets in Bolton, Farnworth & Westhoughton and also delivers local produce markets and special events such as the Food & Drink Festival.
- 2. Building Control** - ensures that buildings are constructed and altered so that they comply with Building Regulations, that dangerous structures are made safe, and that demolitions are done in as safe a manner as possible.
- 3. Special Needs Transport** – transports vulnerable clients on behalf of Children's Services and Adult Services.



4. **Security & Response** - provide services to internal Council departments including courier, porter services, CCTV and security control room.
5. **Schools and Welfare Catering** – manages the catering service to primary and secondary schools in Bolton, and also provides advice on catering, nutrition and kitchen facilities across the borough.
6. **Fleet Management** – transport & fleet maintenance is utilised by all services across the Council and Bolton at Home. It provides an independent MOT service available to the public and a taxi testing unit.
7. **Building Cleaning** - delivers a comprehensive cleaning service in around 200 buildings across the Council, including 70 Primary and 10 Secondary schools and office accommodation used by Bolton at Home and Council departments. The service is regularly benchmarked with other service providers to ensure value for money.
8. **Legal \***- Legal Services ceased being a trading operation in 2015/16 and became part of the General Fund. As part of the changes made, they no longer charge at an hourly rate but allocate costs as a recharge. They are now two teams led by Principal Lawyers; Corporate & Environment and the Social Care team.
9. **Civic Cleaning** - provides a comprehensive cleaning service within Civic Buildings.

### 23 Agency Services

The Council provides accommodation services for refugees on behalf of the North West Consortium (NWC). The North West Consortium (NWC) agrees a fee dependant on type of contract and number of occupants/length of stay.

	<b>2016/17 £000s</b>	<b>2015/16 £000s</b>
Expenditure incurred in providing a service on behalf of the Home Office in partnership with NWC, Bury MBC and Refugee Action	592	598
Management fee payable by the North West Consortium	(592)	(598)
<b>Net surplus arising on the agency agreement</b>	<b>0</b>	<b>0</b>

**24 Pooled Budget – Better Care Fund**

2015/16 was the first year of operation of the Better Care Fund, a national policy initiative designed to promote integrated working between Health and Social Care. In line with policy requirements, Bolton Clinical Commissioning Group and Bolton Council have entered into a pooled budget arrangement under section 75 of the NHS Act 2016.

The operation of the Better Care Fund is set out in a formal section 75 agreement which confirms the spending plan and risk sharing agreement of the Fund, which is hosted by Bolton Clinical Commissioning Group.

The following table summarises the contributions made by Bolton Clinical Commissioning Group and Bolton Council along with the expenditure summarised by service area.

	2016/17 £000s	2016/17 £000s	2016/17 £000s
<b>Funding provided to the pool:</b>			
Bolton Clinical Commissioning Group			29,039
Bolton Council			6,070
<b>Total funding</b>			<b>35,109</b>
	<b>Bolton Council</b>	<b>CCG</b>	<b>Total</b>
<b>Expenditure met from the pooled budget:</b>			
Integrated Neighbourhood teams	943	3,180	4,123
Intermediate Care	9,655	4,960	14,615
Independent Living	4,545	0	4,545
Complex Needs	812	0	812
Staying Well	1,165	0	1,165
Carers	658	0	658
Care Act	753	0	753
Protection of Social Care Services	5,158	0	5,158
Protection of Health Care Services	0	1,693	1,693
Programme and IT Costs	22	203	225
Additional Schemes	25	1,336	1,361
<b>Total expenditure</b>	<b>23,738</b>	<b>11,371</b>	<b>35,108</b>
<b>Net surplus arising from the pooled budget during the year</b>			<b>1</b>

Whilst the section 75 agreement between the parties does constitute a 'joint operation' under IFRS 11, the substance of the commissioning transactions related to the Fund's spending plan indicates that each party is acting as a single entity. Therefore, each organisation accounts for its own transactions without recognising its interest in its share of total assets, liabilities, revenue and expenditure that relate to the whole Fund.

**25 Members' Allowances**

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

	<b>2016/17 £000s</b>	<b>2015/16 £000s</b>
Allowances	887	873
Expenses	1	1
<b>Total</b>	<b>888</b>	<b>874</b>

**26 Officers' Remuneration**

The remuneration paid to the Council's senior employees is as follows – there were no benefits in kind:

	Note	Salary including Fees and Allowances	Expense Allowance	Total Remuneration Excluding Pension Contributions	Pension Contributions	2016-17 Total Remuneration Including Pension Contributions	2015-16 Total Remuneration Including Pension Contributions
		£	£	£	£	£	£
Chief Executive:							
M Asquith	1	191,810	0	191,810	0	191,810	67,685
M Asquith	2	0	0	0	0	0	31,867
P Najsarek - salary	3	0	0	0	0	0	90,562
P Najsarek - Negotiated Severance		0	0	0	0	0	55,192
P Najsarek - Payment in lieu of notice		0	0	0	0	0	34,808
Deputy Chief Executive	4	0	0	0	0	0	95,600
Acting Director of Children's & Adults Services	5	0	0	0	0	0	100,828
Chief Executive of Bolton Care and Support Ltd	6	105,770	0	105,770	21,366	127,136	20,605
Director of People	7	117,399	0	117,399	23,715	141,113	21,968

	Note	Salary including Fees and Allowances	Expense Allowance	Total Remuneration Excluding Pension Contributions	Pension Contributions	Total Remuneration Including Pension Contributions	Total Remuneration Including Pension Contributions
		£	£	£	£	£	£
Director of Development & Regeneration		0	0	0	0	0	155,928
Director of Environmental Services		0	0	0	0	0	139,417
Director of Place	8	112,994	7	113,001	22,825	135,826	32,863
Borough Treasurer (s151 Officer)		96,287	0	96,287	19,450	115,737	103,696
Borough Solicitor		102,737	0	102,737	18,256	120,993	97,817
		<b>726,997</b>	<b>7</b>	<b>727,004</b>	<b>105,611</b>	<b>832,615</b>	<b>1,048,836</b>

**Notes**

- 1 Chief Executive from 2/12/15
- 2 Acting Chief Executive from 1/4/15 to 26/5/15
- 3 Chief Executive from 27/5/15 to 5/11/15
- 4 from 27/5/15 to 1/12/15
- 5 from 1/4/15 to 31/1/16
- 6 from 1/2/16
- 7 Acting Director from 1/2/16 with full appointment 17/8/16
- 8 from 1/1/16

The number of Council employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) by band is as follows:

	Teachers		Other Staff	
	2016/17	2015/16	2016/17	2015/16
£50,000 - £54,999	57	38	22	19
£55,000 - £59,999	43	52	11	17
£60,000 - £64,999	35	43	7	9
£65,000 - £69,999	27	16	4	3
£70,000 - £74,999	5	6	3	0
£75,000 - £79,999	4	5	1	6
£80,000 - £84,999	6	6	4	2
£85,000 - £89,999	1	0	0	2
£90,000 - £94,999	1	1	0	1
£95,000 - £99,999	1	3	4	1
£100,000-£104,999	2	0	1	1
£105,000-£109,999	0	1	0	0
£110,000-£114,999	1	0	1	1
£115,000-£119,999	0	0	1	1
£120,000-£124,999	0	1	0	0
£125,000-£129,999	0	1	0	1
£130,000-£134,999	0	0	1	1
£135,000-£139,999	1	0	0	0
£160,000-£164,999	0	0	0	1
£190,000-£195,000	0	0	1	0

The number of exit packages with total cost per band including the cost of ill health retirements and total cost of voluntary redundancies are set out in the table below. The increase over 2015/16 is primarily due to the number of staff accepting exit packages following the creation of the LATC. There were no compulsory redundancies.

Exit package cost band (including special payments)	Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	2015/16	2016/17 £	2015/16 £
£0-£20,000	145	59	1,164,003	644,883
£20,001-£40,000	44	17	1,252,581	465,066
£40,001-£60,000	15	7	736,342	349,956
£60,001-£80,000	9	4	635,372	268,697
£80,001-£100,000	6	4	520,719	349,165
£100,000-£150,000	11	1	1,314,233	108,075
£150,000-£200,000	1	2	184,136	365,752
£200,000-£250,000	0	3	0	713,441
£250,000-£300,000	1	2	261,203	537,894
<b>Total</b>	<b>232</b>	<b>99</b>	<b>6,068,589</b>	<b>3,802,929</b>

**27 Termination Benefits**

Of the £6.1m cost of exit packages, £2,012,815 was made in respect of voluntary severance and redundancy payments £1,000,930 in 2015/16) and £4,055,773 (£2,801,999 in 2015/16) was to cover the capitalisation costs of pensions.

**28 Dedicated Schools Grant**

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget which is divided into budget share for each maintained school.

Details of the deployment of DSG receivable for 2016/17 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2016-17 before Academy Recoupment			236,971
Academy figure recouped for 2016-17			(48,353)
Total DSG after Academy Recoupment for 2016-17			188,618
Brought Forward from 2015-16			6,920
Carry Forward to 2016-17 agreed in advance			(6,920)
			<b>188,618</b>
Agreed Budget Distribution in 2016-17	26,714	173,568	200,282
In year adjustments	14,398	(26,062)	(11,664)
<b>Final Budget Distribution 2016-17</b>	<b>41,112</b>	<b>147,506</b>	<b>188,618</b>
Actual Central Expenditure	44,364	0	44,364
Actual ISB deployed to Schools	0	147,506	147,506
<b>Carryforward to 2017-18</b>	<b>(3,252)</b>	<b>0</b>	<b>(3,252)</b>
Carryforward from 2015-16			6,920
<b>Carryforward to 2017-18</b>			<b>3,668</b>

**29 Financing and Investment Income and Expenditure**

	<b>2016/17</b>	<b>2015/16</b>
	<b>£000s</b>	<b>£000s</b>
Movement on investment property	(2,539)	(1,988)
Interest Payable and Investment Expenditure	5,718	7,211
Interest and Investment Income	(8,432)	(8,105)
Pension interest cost and return on assets	12,609	14,478
<b>Total</b>	<b>7,356</b>	<b>11,596</b>

**30 Taxation and Non-Specific Grant Income**

The Council raises Council Tax, Non Domestic Rates (NDR) and receives grants from Central Government each year to support revenue expenditure which is not attributable to specific services. The Grants, NDR and Council Tax received for 2016/17 were:

	<b>2016/17</b>	<b>2015/16</b>
	<b>£000s</b>	<b>£000s</b>
Council Tax	94,702	89,954
Revenue Support Grant (RSG)	42,008	53,219
Non Domestic Rates (NDR)Top-Up	19,332	19,172
Local Retained Business Rates	45,787	43,806
Council Tax Freeze Grant	0	1,102
Collection Fund Adjustment Account	2,376	950
Capital Grants	19,840	19,372
<b>Total</b>	<b>224,045</b>	<b>227,575</b>

**31 Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

	<b>2016/17</b>	<b>2015/16</b>
	<b>£000s</b>	<b>£000s</b>
<b>Credited to Services:</b>		
PFI Special Grant	1,014	1,014
Rent Allowance Subsidy	93,499	97,057
HRA Rent Rebates Subsidy	0	0
Non-HRA Rent Rebates Subsidy	1,735	1,973
HB and Council Tax Benefit Admin Grant	1,795	1,854
Dedicated Schools Grant	188,246	203,240
Pupil Premium	13,251	14,510
Education Services Grant	3,590	4,249
Public Health Grant	22,599	20,287
New Homes Bonus	4,664	4,235
Other Revenue Grants, reimbursements and contributions (Government)	49,796	48,315
Other Revenue Grants, reimbursements and contributions (Non-Government)	4,541	1,956
<b>Total</b>	<b>384,731</b>	<b>398,690</b>



Statement of Accounts 2016/17

The Council 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 2016/17 are as follows:

	<b>2016/17</b> <b>£000s</b>	<b>2015/16</b> <b>£000s</b>
<b>Capital Grants Receipts in Advance</b>		
NHS Shared Business Service	1,000	0
<b>Total</b>	<b>1,000</b>	<b>0</b>
<b>Revenue Grants Receipts in Advance</b>		
2016/17 NNDR 3 based transactions	219	0
Business Rates – s31 Grant	0	416
Egyptology Contribution	250	250
Home Office	162	631
DCLG	298	187
Technology Board	135	135
Community Safety Grant	762	0
Other Grants	502	581
<b>Total</b>	<b>2,328</b>	<b>2,200</b>

**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.

**The UK Central Government** exerts significant influence over local authorities by providing the statutory framework within which the Council operates and by the provision of grant funding. Details of transactions with UK Government departments are set out in Note 31 Grant Income whilst total UK Government Debtors and Creditors are disclosed in notes 13 and 15 and the detail is in the table below:

Organisation	Income in year	Expenditure in year	Balance due to Bolton Council at 31.3.17	Balance due from Bolton Council at 31.3.17
<b>UK Government Department</b>				
Academy Schools	2,747,332	2,344,192	0	0
Arts Council	3,419,954	3,500	0	0
DCLG	7,151,007	0	2,145,776	0
Department for Work and Pensions	98,869,383	64	0	2,131,832
DFE	4,887,623	8,537	882,913	8,537
DFT	5,657,683	0	0	0
Education Funding Agency	221,409,076	0	0	61,032
H.M. Revenue & Customs	0	0	1,738,632	5,507,984
Other Local Authorities	3,808,708	48,063,118	0	0
Public Health England	22,599,000	0	0	0
Bolton Cares	645,808	13,917,593	0	0
North West Regional Strategic Migration Partnership(RSMP)	1,176,402	0	0	0
Transport for Greater Manchester	1,493,736	0	0	6,500
Disabled Facilities Grant	2,452,070	0	0	0
Other Government Departments	2,515,963	979,194	288,746	15,791
<b>Total UK Government Departments</b>	<b>378,833,745</b>	<b>65,316,198</b>	<b>5,056,067</b>	<b>7,731,676</b>

<b>Organisation</b>	<b>Income in year</b>	<b>Expenditure in year</b>	<b>Balance due to Bolton Council at 31.3.17</b>	<b>Balance due from Bolton Council at 31.3.17</b>
<b>NHS</b>				
Bolton CCG	25,559,751	1,934,671	651,845	408,271
Bridgewater Community Healthcare NHS Foundation Trust	1,588	3,839,650	0	0
Royal Bolton Hospital NHS Foundation Trust	288,464	11,388,791	36,633	182,204
Health Authority (incl trusts & PCT)	138,623	809,631	14,981	221,031
<b>Total NHS</b>	<b>25,988,426</b>	<b>17,972,743</b>	<b>703,459</b>	<b>811,506</b>

**Members of the Council** determine Council policy. During 2016/17 Members of the Council declared an interest in the following activities:

	<b>Total No. of Members with an Interest</b>	<b>Total Amount paid during 16-17</b>	<b>Total Amount due to 31-3-17</b>	<b>Total Amount received during 16-17</b>	<b>Total Amount due from at 31-3-17</b>
		£	£	£	£
Arts	2	76,410	0	2,421	0
Education and Leisure	25	27,530	100,000	33,064,307	479,259
Other	15	126,339	0	266,916	5,000
Other Public Bodies	7	78,429	165	2,044,119	45,231
Registered Social Landlord	5	6,374,228	0	4,501,011	145,783
Construction	1	383,534	0	0	0
Social Care & Community	9	13,314,923	0	1,616,702	0
<b>Grand Total</b>	<b>64</b>	<b>20,381,393</b>	<b>100,165</b>	<b>41,495,476</b>	<b>675,272</b>

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

Bolton Council has representatives on the Board of the Octagon Theatre Trust and the Borough Treasurer represents the Council in an advisory role. The Council has one vote out of a total of twelve on voting matters. A Register of Members Interests is maintained and is available for public inspection by contacting the Members Services Officer. Details of payments to members are available on the Council's website and also by contacting the Members Services Officer.

**PSP Bolton LLP and PSP Bolton (GR) LLP**

Please see note 10, Financial Instruments

**Bolton Cares Ltd, Bolton Cares (A) Ltd and Bolton Cares (B) Ltd**

The Council wholly owns the above companies, please see note 10, Financial Instruments

**Other material related party transactions**

Bolton Community Leisure Trust was established to manage several of the Council's leisure centres. In 2016/17 the Trust received grant funding from the Council of £2.084m (£2.492m in 2015/16) towards running costs of the facilities.

Related party transactions with National Health Service bodies amounted to income to the Council of £34.7m in 2016/17 (£6.1m in 2015/16). This income relates to the Pooled Budget arrangement (see note 24) and various schemes to support Social Care.

The Greater Manchester Combined Authority (GMCA) was formally established on 1 April 2011 following agreement between the 10 Greater Manchester Councils and Central Government. GMCA has been established to co-ordinate key economic development, regeneration and transport functions and will, in the future, have financial implications which will impact on the availability and use of resources by the Council.

The Transport for Greater Manchester Executive is the executive body of GMCA in relation to its transport functions.

The Association of Greater Manchester Authorities (AGMA) is a partnership between the 10 Greater Manchester Councils. They co-operate on a number of issues, both statutory and non-statutory, where there is a possibility of improving service delivery by working together. A number of AGMA units exist which the Council contributes to and the expenditure is contained within the relevant service headings in the CIES.

**Other Public Bodies:**

Included in the CIES within net cost of services are the following amounts that are charged as levies for services not directly provided by the Council. The balances due to / from the Council are contained within Note 13 Debtors and Note 15 Creditors respectively:

	<b>Paid as Levies by Bolton Council during 2016-17</b> £	<b>Balance due from Bolton Council at 31-3-17</b> £	<b>Balance due to Bolton Council at 31-3-17</b> £
Transport for Greater Manchester	19,427,878	6,500	0
Greater Manchester Waste Disposal Authority	19,601,000	73,000	0
The Environment Agency	132,499	0	0
	<b>39,161,377</b>	<b>79,500</b>	<b>0</b>

**Other related parties disclosed elsewhere in the Statement of Accounts:**

- Pension funds are disclosed in Notes 36 and 37
- The Council holds long term investments in companies and these are disclosed in Note 10.

**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 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note:

	<b>Note</b>	<b>2016/17 £000s</b>	<b>2015/16 £000s</b>
<b>Opening Capital Financing Requirement</b>		<b>198,550</b>	<b>200,074</b>
<b>Capital Investment</b>			
Property, Plant and Equipment	<b>7</b>	46,764	28,938
Investment Properties	<b>8</b>	0	1,691
Heritage Assets	<b>7</b>	55	0
Intangible Assets	<b>9</b>	275	418
Revenue Expenditure Funded from Capital under Statute		5,777	7,164
<b>Sources of Finance</b>			
Capital receipts		(2,955)	(4,527)
Government grants and other contributions		(7,870)	(9,320)
Sums set aside from revenue:			
Direct revenue contributions		(32,262)	(19,081)
MRP/loans fund principal		(5,934)	(5,405)
Reduction in Long Term Liabilities		(1,473)	(1,402)
<b>Closing Capital Financing Requirement</b>		<b>200,927</b>	<b>198,550</b>
<b>Explanation of movements in year</b>			
Increase/ (Decrease) in underlying need to borrow (unsupported by government financial assistance)		2,377	(1,524)
<b>Increase/decrease in Capital Financing Requirement</b>		<b>2,377</b>	<b>(1,524)</b>

**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:

	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Other Land and Buildings	869	893
Vehicles, Plant, Furniture and Equipment	0	0
<b>Total leased assets</b>	<b>869</b>	<b>893</b>

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:

	<b>31 March</b>	<b>31 March</b>
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Finance lease liabilities (net present value of minimum lease payments):		
Current	0	29
Non-current	322	322
Finance costs payable in future years	1,940	1,969
<b>Minimum lease payments</b>	<b>2,262</b>	<b>2,320</b>

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Not later than one year	29	58	0	29
Later than one year and not later than five years	116	116	0	0
Later than five years	2,117	2,146	322	322
<b>Minimum lease payments</b>	<b>2,262</b>	<b>2,320</b>	<b>322</b>	<b>351</b>

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 2016/17 contingent rents payable were £262k (2015/16 £262k). The Authority has sub-let some of a property held under a finance lease. At 31 March 2017 the minimum payments expected to be received under non-cancellable sub-leases was £95k (£127k at 31 March 2016).

### Operating Leases

The Authority leases property for administrative purposes, and also leases office equipment in schools. The future minimum lease payments due under non-cancellable leases in future years are:

	<b>31 March 2017 £000</b>	<b>31 March 2016 £000</b>
Not later than one year	490	679
Later than one year and not later than five years	367	787
Later than five years	3,101	2,302
	<b>3,958</b>	<b>3,768</b>

The expenditure in the year of £746k in relation to these leases was charged to the relevant service lines (2015/16 £935k).

### Authority as Lessor

#### Finance Leases

The Authority has leased out property at Paderborn House and at Newport St, both under finance leases with 0 and 51 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:

	<b>31 March 2017 £000</b>	<b>31 March 2016 (amended) £000</b>
Finance lease debtors (npv of minimum lease payments):		
Current	2	3
Non-current	49	111
Unearned finance income	185	195
<b>Gross investment in the lease</b>	<b>236</b>	<b>309</b>



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 2017	31 March 2016 (amended)	31 March 2017	31 March 2016 (amended)
	£000s	£000s	£000s	£000s
Not later than one year	11	14	11	14
Later than one year and not later than five years	18	25	18	25
Later than five years	207	271	207	211
	<b>236</b>	<b>310</b>	<b>236</b>	<b>250</b>

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 2016/17 £101k contingent rents were receivable by the Authority (2015/16 £218k). There are accumulated allowances for uncollectible minimum lease payments of £38k (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 2017	31 March 2016
	£000	£000
Not later than one year	1,447	1,361
Later than one year and not later than five years	4,866	4,888
Later than five years	54,464	51,515
	<b>60,777</b>	<b>57,764</b>

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 £1.7m increasing annually by RPI until 2028/29.

### Payments

The Council 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 2017 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	<b>Payment for Services £000s</b>	<b>Reimbursement of Capital Expenditure £000s</b>	<b>Interest £000s</b>	<b>Total £000s</b>
Payable in 2016/17	966	426	410	1,802
Payable within 2 to 5 years	3,865	1,992	1,356	7,213
Payable within 6 to 10 years	4,831	3,282	903	9,016
Payable within 11 to 15 years	1,449	1,197	59	2,705
<b>Total</b>	<b>11,111</b>	<b>6,897</b>	<b>2,728</b>	<b>20,736</b>

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:

	<b>2016/17 £000s</b>	<b>2015/16 £000s</b>
Balance outstanding at start of year	7,299	7,676
Payments during the year	(401)	(377)
<b>Balance outstanding at 31 March 2017</b>	<b>6,898</b>	<b>7,299</b>

### Other Contracts

The Council has entered into 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 pay grant to the Trust during that period.

### 36 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita. It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salary.

	<b>2016/17</b>	<b>Sep 15 – March 16</b>	<b>April 15 – Aug 15</b>	<b>2014/15</b>
Percentage contributed (%)	16.48	16.48	14.10	14.10
Amount contributed (£000s)	12,572	8,011	4,878	11,835

With regard to the Teachers' Pension Scheme, there were employers' contributions of £924,064 remaining payable at the year end and the contributions due to be paid in 2017/18 are estimated to be £11,199,655.

The scheme is a multi-employer 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. It is not possible for the Council to identify its share of the underlying financial position and performance of the

scheme. For the purpose of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Council 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 37.

Public Health staff employed by the Council are members of the NHS Pension Scheme. It provides defined benefits upon retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salary.

	2016/17	2015/16
Percentage contributed (%)	14.3	14.3
Amount contributed (£000s)	124	212

The scheme is a multi-employer defined benefit scheme. Although the scheme is unfunded, NHS uses a notional fund as the basis for calculating the employers' contribution rate to be paid. It is not possible to identify a share of the underlying liabilities in the scheme attributable to these employees. For the purpose of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the NHS scheme. These benefits are fully accrued in the pensions liability described in note 37, however no such additional benefits have been awarded in the two financial years.

### **37 Defined Benefit Pension Schemes**

#### **Participation in pension schemes**

As part of the terms and conditions of employment the Council makes contributions towards the costs of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that the employees earn their future entitlement.

The Council participates in three post-employment schemes:

The Teachers Pensions Scheme – see note 36.

The NHS Pension Scheme – see note 36.

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

Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The Greater Manchester Pension Scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Tameside MBC Pension Fund Management Panel. Policy is determined in accordance with the Pensions Fund Regulations. The panel is made up of Councillors mainly from Tameside and is advised by Tameside's Chief Executive, Director of Pensions, Borough Solicitor, outside investment experts and the Pension Fund Advisory Panel (Councillors from each of the 10 Greater Manchester Authorities and also employees' representatives from the major trades unions).

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

**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 real cost of post-employment retirement benefits is reversed out of the General Fund via the MIRS. The following transactions have been made in the CIES and the General Fund Balance via the MIRS during the year:

	<b>2016/17 £000s</b>	<b>2015/16 £000s</b>
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current service cost	29,262	36,476
Past service costs	4,007	509
Effect of Settlements	0	(634)
<b>Financing and Investment Income and Expenditure</b>		
Net interest expense	12,609	14,478
<b>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>45,878</b>	<b>50,829</b>
<b>Other Post-employment Benefit Charged to the CIES</b>		
<b>Remeasurement of the net defined benefit liability comprising:</b>		
Return on plan assets (excluding the amount included in the net interest expense)	(186,518)	37,145
Actuarial gains and losses arising on changes in demographic assumptions	3,043	0
Actuarial gains and losses arising on changes in financial assumptions	232,809	(132,050)
Other	(49,910)	(18,853)
<b>Total Post-employment Benefits charged to CIES</b>	<b>(576)</b>	<b>(113,758)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	45,878	50,829
<b>Actual amount charged against the General Fund</b>		
<b>Balance for pensions in the year:</b>		
Employers' contributions payable to the scheme	27,090	28,114

**Pensions Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme	
	2016/17 £000s	2015/16 £000s
Present value of the defined benefit obligation	1,563,116	1,331,321
Fair value of plan assets	(1,187,478)	(973,895)
<b>Net liability arising from defined benefit obligation</b>	<b>375,638</b>	<b>357,426</b>

**Reconciliation of the Movements in the Fair Value of Plan Assets**

	Local Government Pension Scheme	
	2016/17 £000s	2015/16 £000s
Opening fair value of scheme assets	973,895	983,327
Interest income	33,943	31,404
Effect of Settlements	0	(511)
Remeasurement gain/(loss):		
The return on the plan assets, excluding the amount included in the net interest expense	186,518	(37,145)
Contributions from employer	27,090	28,114
Contributions from employees into the scheme	7,540	8,007
Benefits paid	(41,508)	(39,301)
<b>Closing fair value of scheme assets</b>	<b>1,187,478</b>	<b>973,895</b>

**Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)**

	Funded Liabilities: Local Government Pension Scheme	
	2016/17 £000s	2015/16 £000s
Opening balance at 1 April	1,331,321	1,431,796
Current service costs	29,262	36,476
Effect of Settlements	0	(1,145)
Interest cost	46,552	45,882
Contributions by scheme participants	7,540	8,007
Remeasurement (gains)/losses:		
Actuarial gains/losses arising from changes in demographic assumptions	3,043	0
Actuarial gains/losses arising from changes in financial assumptions	232,809	(132,050)
Other	(49,910)	(18,853)
Past service cost	4,007	509
Benefits paid	(41,508)	(39,301)
<b>Closing balance at 31 March</b>	<b>1,563,116</b>	<b>1,331,321</b>

## Local Government Pension Scheme assets comprised:

Asset Category	31 March 2017				31 March 2016			
	Quoted prices in active markets £000s	Quoted prices not in active markets £000s	Total £000s	Percentage of total assets %	Quoted prices in active markets £000s	Quoted prices not in active markets £000s	Total £000s	Percentage of total assets %
<b>Equity Securities:</b>								
Consumer	96,517	0	96,517	8	85,761	0	85,761	9
Manufacturing	98,829	0	98,829	8	70,580	0	70,580	7
Energy & Utilities	79,049	0	79,049	7	52,280	0	52,280	5
Financial Institutions	121,396	0	121,396	10	94,473	0	94,473	10
Health & Care	42,605	0	42,605	4	40,725	0	40,725	4
Information Technology	30,168	0	30,168	3	21,880	0	21,880	2
Other	20,228	0	20,228	2	12,835	0	12,835	1
<b>Debt Securities:</b>								
Corporate Bonds (investment grade)	56,334	0	56,334	5	48,520	0	48,520	5
UK Government	15,624	0	15,624	1	7,721	0	7,721	1
Other	37,514	0	37,514	3	30,407	0	30,407	3
<b>Private Equity:</b>								
All	0	33,739	33,739	3	0	24,333	24,333	3
<b>Real Estate:</b>								
UK Property	0	32,564	32,564	3	0	30,666	30,666	3
<b>Investment Funds &amp; Unit Trusts:</b>								
Equities	297,298	0	297,298	25	271,382	0	271,382	28
Bonds	84,759	0	84,759	7	75,662	0	75,662	8
Infrastructure	0	27,378	27,378	2	0	13,052	13,052	1
Other	21,294	59,186	80,480	7	19,136	47,366	66,502	7

Asset Category	31 March 2017				31 March 2016			
	Quoted prices in active markets £000s	Quoted prices not in active markets £000s	Total £000s	Percentage of total assets %	Quoted prices in active markets £000s	Quoted prices not in active markets £000s	Total £000s	Percentage of total assets %
<b>Derivatives:</b>								
Other	0	0	0	0	2,563	0	2,563	0
<b>Cash &amp; Cash Equivalents:</b>								
All	32,995	0	32,995	3	24,553	0	24,553	3
<b>Totals</b>	<b>1,034,611</b>	<b>152,867</b>	<b>1,187,478</b>	<b>100</b>	<b>858,478</b>	<b>115,417</b>	<b>973,895</b>	<b>100</b>



**Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit 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 has been estimated 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 2016.

The principal assumptions used by the actuary have been:

	2016/17	2015/16
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.5	21.4
Women	24.1	24.0
Longevity at 65 for future pensioners:		
Men	23.7	24.0
Women	26.2	26.6
Rate of inflation (CPI)	2.4%	2.2%
Rate of increase in salaries	2.5%	3.5%
Rate of increase in pensions	2.4%	2.2%
Rate for discounting scheme liabilities	2.6%	3.5%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £000s	Decrease in Assumption £000s
Rate of increase in salaries (increase or decrease by 0.5%)	23,734	
Rate of increase in pensions (increase or decrease by 0.5%)	124,357	
Rate for discounting scheme liabilities (increase or decrease by 0.5%)		150,228

## **Impact on the Council's Cash Flows**

The objectives of the scheme are to keep the employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to maintain the solvency of the fund over the next 3 years. The last valuation was completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

It is estimated that the employers' contributions to the scheme will be approximately £24,944,000 in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 17.3 years based on the 31 March 2016 formal valuation.

## **38 Contingent Liabilities**

### **Independent Insurance**

A provisional liquidator was appointed to Independent Insurance Company Ltd on the 18 June 2001. The company provided the Council with stop loss public and employer's liability cover for the year 1997. It is not known at this stage if the company will be able to meet all the claims costs in excess of the Council's stop loss. At present, Bolton Council is self-funding claims over and above the stop that has already been reached. Bolton Council's details have been given to the liquidator, but it remains uncertain as to how much recovery will be available.

### **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 were initially paid out in full, but if the eventual winding up of the company resulted in insufficient assets to meet all liabilities, a claw back clause would be triggered, which could relate to claims already paid out, as well as those outstanding. Bolton Council has its own share of this potential liability, but also is liable for a 10.33% share of the claw back (based on population figures) which relates to the former Greater Manchester Council.

The claw back was triggered in November 2012. Ernst & Young, the administrators of the Scheme made an initial levy of 15% on known claims, and this has been paid, both Bolton's share and its share of the GMC levy. On the 1 April 2016 a second Levy Notice was issued stating that the levy should now be set at 25%, an increase of 10% from the Levy Notice issued in January 2014. However due to the latent nature of many claims still being received by MMI, and the fact that many of the trends in reporting continue to be adverse, the projections are subject to substantial uncertainty, and could prove to be very understated. Ernst & Young will continue to regularly review the levy rate.

Therefore in addition to the 25% levy which has been paid, (£1,225k for Bolton, and £165k for the GMC share), the Council has provided for a further 10% (£696k) – giving 35% in total – based on the advice of the Actuary. The remainder of the total potential liability has been included in the Insurance reserve (£3,959k in total).

### **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. The Council still retains liabilities under European Regional Development Fund Programme and the Heritage Lottery Fund for several of its Programmes.

### **Property Searches**

Bolton Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. The group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is also possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present. A reserve has been created to cover these costs.

### **Business Rate Appeals**

From April 2013, Bolton Council became responsible for the collection and distribution of National Non Domestic Rates (NNDR). NNDR taxpayers are able to appeal against the Rateable Value (RV) of their property. 49% of the impact of any successful appeal would need to be met by the Council. A provision has been established for the impact of known appeals. Further appeals may be made but the Council is unable to quantify this potential liability or where properties are moved from the local list to the national list.

### **Greater Manchester Housing Investment Fund**

The Greater Manchester Devolution Agreement provides for a Housing Investment Fund of £300m over ten years, to be invested in the form of recoverable loans and equity into property investments to deliver the growth ambitions of Greater Manchester (GM).

The Fund was set-up on 1 April 2015 and is administered by Manchester City Council as accountable body.

The Fund provides the opportunity to invest in locally prioritised schemes and give the flexibility required to stimulate the market, accelerate growth and increase housing supply.

In return for GM receiving this Fund it must guarantee that 80% of the funds drawn down, to a maximum of £240m, will be repaid to Her Majesty's Treasury (HMT) at the end of the Fund life (this is likely to be in 2028 when all loans advanced are repaid). The Department of Communities and Local Government (DCLG) will underwrite the first 20% of any loss to the Fund (up to a maximum of £60m).

Each GM District will indemnify a proportion of the Fund based on its percentage of GM population as at 1 April 2015. For Bolton Council the maximum indemnity will be £24.6m which is 10.26% of the total indemnity.

At 31 March 2017 the amount drawn down was £41.831m.

It is not currently anticipated that there will be any call on this indemnity.

### **Greater Manchester Loan Funds Guarantee**

The Council agreed to enter into an indemnity agreement to support the Greater Manchester Loan Fund. The fund was set up to provide loans to new and growing business in Greater Manchester. This was entered into alongside other Greater Manchester Authorities and given to Manchester City Council in order to underwrite the initial £12m to £14m capital in proportion to its percentage of GM population at the date of the establishment of the fund (June 2013).

For Bolton Council the maximum indemnity will be £1.4m which is 10.32% of the total indemnity.

At 31 March 2017 loans totalling £5.05m have been advanced.

The risk of the indemnity being called upon is considered to be low.

### **ISG Ltd**

The Council has a contractual dispute with ISG Ltd over the refurbishment works for the Town Hall office accommodation. ISG has referred one of the issues which could result in additional costs. However this has been put on hold as the Council has agreed to go to mediation to resolve this. The mediation has not yet taken place. If both parties agree on the outcome of mediation the matter will be resolved. However should this not happen, then the case will be referred back to the Adjudicator.

### **Bolton Care and Support Limited**

The three Bolton Care and Support companies are wholly owned by Bolton Council. The transfer of staff from the Council to Bolton Care and Support (A) Ltd is covered by TUPE regulations. However pension rights are not fully covered. Bolton Council has provided a guarantee to underwrite the company's pension obligations with respect to GMPF pensions.

## **39 Contingent Assets**

### **Adult Social Care**

Additional income of up to £1.031m 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.

**40 External Audit Costs**

The Council 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 Council's external auditors:

	<b>2016/17 £000s</b>	<b>2015/16 £000s</b>
Fees payable with regard to external audit services carried out by the appointed auditor for the year – KPMG LLP	121	121
Fees payable for the certification of grant claims and returns for the year – KPMG LLP	10	12
Fees payable in respect of other services provided during the year – KPMG LLP	22	12
<b>Total</b>	<b>153</b>	<b>145</b>

The fees for other services in 2016/17 include Markets audit £2,000 (£2,000 in 15/16) £10,135 relating to grants and returns, (£10,000 in 15/16) and other fees of £9,791.

**41 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	Income	Expenditure	Balance at 31	Represented by:		
	April 2016			March 2017	Cash / Other Balances	External Investments	Total
	£	£	£	£	£	£	£
<b>Environmental Services</b>							
Red Lion Playing Field Trust	2,158	0	0	2,158	1,214	944	2,158
Topps Trust Fund	1,647	0	0	1,647	1,647	0	1,647
<b>Adult Services</b>							
Workshops & Homes for the Elderly	153,715	0	20,000	133,715	133,715	0	133,715
Blair Sick Fund	3,461	0	0	3,461	3,461	0	3,461
<b>Children's Services</b>							
Leigh Bramwell	79,266	24,838	17,730	86,374	9,380	76,994	86,374
Westhoughton Education Trust	34,852	2,624	400	37,076	12,710	24,366	37,076
<b>Total</b>	<b>275,099</b>	<b>27,462</b>	<b>38,130</b>	<b>264,431</b>	<b>162,127</b>	<b>102,304</b>	<b>264,431</b>

## Group Accounts

The Council has prepared the following Group Accounts due to its ownership of Bolton Cares Ltd.

### Comprehensive Income and Expenditure Statement

31 March 2016				Note	31 March 2017		
£000s	£000s	£000s			£000s	£000s	£000s
Expenditure	Income	Net			Expenditure	Income	Net
120,189	46,384	73,805	Adult Services and Public Health		118,110	49,445	68,665
318,530	254,917	63,613	Children's Services		308,759	238,988	69,771
152,964	135,618	17,346	Chief Executives		150,661	130,281	20,380
17,458	1,955	15,503	Development & Regeneration		28,495	1,878	26,617
92,428	44,462	47,966	Environment and Housing		88,079	49,268	38,811
38,935	11,530	27,405	Financial Services		43,863	10,549	33,314
<b>740,504</b>	<b>494,866</b>	<b>245,638</b>	<b>Cost of Services</b>		<b>737,967</b>	<b>480,409</b>	<b>257,558</b>
			<b>Other operating expenditure</b>				
		23,699	Loss on disposal of property plant & equipment				17,017
		0	Disposal of Academy assets				37,032
		(1,926)	Right to Buy Receipts				(1,704)
		370	Parish Precepts				372
		<b>22,143</b>	<b>Total Operating Expenditure</b>				<b>52,717</b>
		11,596	Financing & investment Income				7,451
		(227,575)	Taxation & non-specific grant income	<b>30</b>			(224,045)
		<b>51,802</b>	<b>Deficit/(surplus) for year</b>				<b>93,681</b>
		(15,483)	Surplus/deficit on revaluation of Property, Plant and Equipment				(22,672)
		1,230	Surplus/deficit on available for sale				(3,974)
		(113,758)	Actuarial gains/losses on pensions	<b>37</b>			4,541
		<b>(128,011)</b>	<b>Other comprehensive Income</b>				<b>(22,105)</b>
		<b>(76,209)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>71,576</b>

## Movement in Reserves Statement

Summary MIRS	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance 1 April 2015</b>	<b>10,660</b>	<b>182,615</b>	<b>6,164</b>	<b>12,823</b>	<b>212,262</b>	<b>15,958</b>	<b>228,220</b>
Total Comprehensive Income and Expenditure	(51,802)	0	0	0	(51,802)	128,011	76,209
Adjustments from income & expenditure charge under the accounting basis to the funding basis	31,106	0	5,266	6,674	43,046	(43,103)	(57)
Increase or (Decrease) in 2015/16	(20,696)	0	5,266	6,674	(8,756)	84,908	76,152
Transfers to/from earmarked reserves	20,696	(20,696)	56	0	56	(56)	0
<b>Balance at 31 March 2016 carried forward</b>	<b>10,660</b>	<b>161,919</b>	<b>11,486</b>	<b>19,497</b>	<b>203,562</b>	<b>100,810</b>	<b>304,372</b>

Summary MIRS	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance 1 April 2016</b>	<b>10,660</b>	<b>161,919</b>	<b>11,486</b>	<b>19,497</b>	<b>203,562</b>	<b>100,810</b>	<b>304,372</b>
Total Comprehensive Income and Expenditure	(93,680)	0	0	0	(93,680)	22,105	(71,575)
Adjustments from income & expenditure charge under the accounting basis to the funding basis	61,737	0	796	2,032	64,565	(64,655)	(90)
Increase or (Decrease) in 2016/17	(31,943)	0	796	2,032	(29,115)	(42,550)	(71,665)
Transfers to/from earmarked reserves	31,943	(31,943)	56	0	56	(56)	0
<b>Balance at 31 March 2017 carried forward</b>	<b>10,660</b>	<b>129,976</b>	<b>12,338</b>	<b>21,529</b>	<b>174,503</b>	<b>58,204</b>	<b>232,707</b>



## Balance Sheet

31 March 2016 £000s		Note	31 March 2017 £000s
	<b>Property, Plant &amp; Equipment</b>		
353,015	- Other land and buildings	7	318,284
8,830	- Vehicles, plant, furniture & equipment	7	9,523
121,339	- Infrastructure	7	130,351
10,215	- Community assets	7	10,215
0	- Assets under construction	7	5,099
<b>493,399</b>			<b>473,472</b>
897	Surplus assets	7	1,762
69,323	Heritage assets	7	67,765
40,593	Investment property	8	38,091
401	Software	9	497
40,280	Long Term Investments	10	44,255
21,574	Long Term Debtors	10	21,515
<b>666,467</b>	<b>Long Term Assets</b>		<b>647,357</b>
104,550	Short Term Investments		74,476
734	Inventories	12	870
33,359	Short Term Debtors	13	32,491
6,050	Prepayments		6,956
16,183	Cash and Cash Equivalents	14	17,116
405	Assets held for sale (less than 1 year)		0
<b>161,281</b>	<b>Current Assets</b>		<b>131,909</b>
(3,667)	Short Term Borrowing	10	(10,689)
(43,850)	Short Term Creditors	15	(46,909)
(11,386)	Provisions for current liabilities	16	(3,136)
(2,200)	Revenue Grants in Advance	31	(2,328)
<b>(61,103)</b>	<b>Current Liabilities</b>		<b>(63,062)</b>
(9,722)	Provisions for long term liabilities	16	(7,779)
(79,909)	Long Term Borrowing	10	(79,891)
(15,216)	Other Long Term Liabilities	10	(13,743)
(357,426)	Net Pensions Liability	37	(381,082)
0	Capital Grants Receipts in Advance	31	(1,000)
<b>(462,273)</b>	<b>Long Term Liabilities</b>		<b>(483,495)</b>
<b>304,372</b>	<b>Net Assets</b>		<b>232,709</b>

31 March 2016 £000s		Note	31 March 2017 £000s
	<b>Represented by:</b>		
	<b>Usable Reserves</b>		
10,660	- General Fund Balance	<b>5</b>	10,660
9,264	- Earmarked Statutory Reserves	<b>5</b>	6,256
152,655	- Earmarked Policy Reserves	<b>5</b>	123,721
11,486	- Capital Receipts Reserve		12,339
19,497	- Capital Grants Received in Advance		21,528
<b>203,562</b>			<b>174,504</b>
	<b>Unusable Reserves</b>	<b>6</b>	
143,466	- Revaluation reserve		151,014
30,027	- Available-for-Sale Financial Instruments Reserve		34,001
(357,426)	- Pensions Reserve		(381,082)
10,585	- Deferred capital receipts		10,770
282,308	- Capital Adjustment Account		248,868
(6,725)	- Collection Fund Adjustment Account		(1,520)
(1,425)	- Short-term Accumulating Compensated Absences Account		(3,846)
<b>100,810</b>			<b>58,205</b>
<b>304,372</b>	<b>Total Reserves</b>		<b>232,709</b>

## Cash Flow Statement

<b>31 March 2016 £000s</b>		<b>Note</b>	<b>31 March 2017 £000s</b>
51,802	Net (surplus) or deficit on the provision of services		93,680
(71,569)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	<b>17</b>	(106,179)
29,165	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	<b>18</b>	23,842
<b>9,398</b>	<b>Net cash flows from Operating Activities</b>	<b>19</b>	<b>11,343</b>
(13,118)	Investing Activities	<b>20</b>	(6,748)
2,401	Financing Activities	<b>21</b>	(5,526)
<b>(1,319)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(931)</b>
14,864	Cash and cash equivalents at the beginning of the reporting period		16,183
1,319	(Decrease) or Increase in cash as above		931
<b>16,183</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>14</b>	<b>17,114</b>

## Group Accounting Policies

The Accounting Policies of Bolton Cares Ltd have been aligned with the Council's Accounting Policies contained in Note 1. Any statutory adjustments between accounting basis and funding basis included in the Council's Accounting Policies do not apply to the company.

Notes within the group accounts have not been provided except for Defined Benefit Pensions as there are material differences to those provided in Note 37.

## Pension Scheme – Group Summary

### Transactions Relating to Retirement Benefits

	2016/17 £000s	2015/16 £000s
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current service cost	29,856	36,476
Past service costs	4,007	509
Effect of Settlements	0	(634)
<b>Financing and Investment Income and Expenditure</b>		
Net interest expense	12,704	14,478
<b>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>46,567</b>	<b>50,829</b>
<b>Other Post-employment Benefit Charged to the CIES</b>		
<b>Remeasurement of the net defined benefit liability comprising:</b>		
Return on plan assets (excluding the amount included in the net interest expense)	(188,724)	37,145
Actuarial gains and losses arising on changes in demographic assumptions	3,043	0
Actuarial gains and losses arising on changes in financial assumptions	235,842	(132,050)
Other	(49,910)	(18,853)
<b>Total Post-employment Benefits charged to CIES</b>	<b>251</b>	<b>(113,758)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	46,567	50,829
<b>Actual amount charged against the General Fund</b>		
<b>Balance for pensions in the year:</b>		
Employers' contributions payable to the scheme	27,452	28,114

**Pensions Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme	
	2016/17 £000s	2015/16 £000s
Present value of the defined benefit obligation	1,585,932	1,331,321
Fair value of plan assets	(1,204,850)	(973,895)
<b>Net liability arising from defined benefit obligation</b>	<b>381,082</b>	<b>357,426</b>

**Reconciliation of the Movements in the Fair Value of Plan Assets**

	Local Government Pension Scheme	
	2016/17 £000s	2015/16 £000s
Opening fair value of scheme assets	973,895	983,327
Introduction of Bolton Cares	14,372	0
Interest income	34,259	31,404
Effect of Settlements	0	(511)
Remeasurement gain/(loss):		
The return on the plan assets, excluding the amount included in the net interest expense	188,724	(37,145)
Contributions from employer	27,452	28,114
Contributions from employees into the scheme	7,656	8,007
Benefits paid	(41,508)	(39,301)
<b>Closing fair value of scheme assets</b>	<b>1,204,850</b>	<b>973,895</b>

**Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)**

	Funded Liabilities: Local Government Pension Scheme	
	2016/17 £000s	2015/16 £000s
Opening balance at 1 April	1,331,321	1,431,796
Introduction of Bolton Cares	18,662	0
Current service costs	29,856	36,476
Effect of Settlements	0	(1,145)
Interest cost	46,963	45,882
Contributions by scheme participants	7,656	8,007
Remeasurement (gains)/losses:	0	0
Actuarial gains/losses arising from changes in demographic assumptions	3,043	0
Actuarial gains/losses arising from changes in financial assumptions	235,842	(132,050)
Other	(49,910)	(18,853)
Past service cost	4,007	509
Benefits paid	(41,508)	(39,301)
<b>Closing balance at 31 March</b>	<b>1,585,932</b>	<b>1,331,321</b>

**Pension Scheme Assets**

<b>Asset Category</b>	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>£000s</b>	<b>£000s</b>
Equity Securities:	495,945	378,534
Debt Securities:	111,074	86,648
Private Equity:	34,233	24,333
Real Estate:	33,041	30,666
Investment Funds & Unit Trusts:	497,085	426,598
Other	0	2,563
Cash & Cash Equivalents:	33,472	24,553
<b>Totals</b>	<b>1,204,850</b>	<b>973,895</b>

**Basis for estimating assets and liabilities**

The principal assumptions used for Bolton Cares Limited by the actuary have been:

	<b>2016/17</b>
Mortality assumptions:	
Longevity at 65 for current pensioners:	
Men	21.5
Women	24.1
Longevity at 65 for future pensioners:	
Men	23.7
Women	26.2
Rate of inflation (CPI)	2.4%
Rate of increase in salaries	3.15%
Rate of increase in pensions	2.4%
Rate for discounting scheme liabilities	2.6%

	<b>Impact on the Defined Benefit Obligation in the Scheme</b>	
	<b>Increase in Assumption £000s</b>	<b>Decrease in Assumption £000s</b>
Rate of increase in salaries (increase or decrease by 0.5%)	563	
Rate of increase in pensions (increase or decrease by 0.5%)	1,826	
Rate for discounting scheme liabilities (increase or decrease by 0.5%)		2,441

## Collection Fund

This account reflects statutory requirements for billing authorities to maintain a separate collection fund to account for the income from Council tax and business rates. This income finances payment of business rates to the national pool and the net expenditure requirements of the Council and pay precepts to the Police and Fire and Rescue Authorities.

### Income and Expenditure Account

Council Tax 2015/16 £000s	NNDR 2015/16 £000s	Total 2015/16 £000s		Council Tax 2016/17 £000s	NNDR 2016/17 £000s	Total 2016/17 £000s
107,750	0	107,750	<b>Income</b>			
0	82,564	82,564	Council Tax	114,147	0	114,147
			Business Rates	0	89,190	89,190
107,750	82,564	190,314		114,147	89,190	203,337
			<b>Expenditure</b>			
			<b>Distribution of Previous Year's surplus/(deficit)</b>			
402	(2,412)	(2,010)	Bolton Council	(1)	(5,000)	(5,001)
48	0	48	Greater Manchester Police	0	0	0
18	(49)	(31)	Greater Manchester Fire	0	(102)	(102)
0	(2,461)	(2,461)	Central Government	0	(5,102)	(5,102)
			<b>Precepts and Demands:</b>			
89,954	42,798	132,752	Bolton Council	94,703	45,037	139,740
10,688	0	10,688	Greater Manchester Police	11,232	0	11,232
4,045	873	4,918	Greater Manchester Fire	4,198	919	5,117
0	43,671	43,671	Central Government	0	45,956	45,956
0	85	85	Transitional Relief	0	219	219
			<b>Business Rates:</b>			
0	403	403	Cost of Collection Allowance	0	401	401
			<b>Appeals:</b>			
0	(2,599)	(2,599)	Provision and Write Offs	0	(984)	(984)
			<b>Bad and Doubtful Debts:</b>			
1,958	3,191	5,149	Provision and Write Offs	1,256	2,072	3,328
107,113	83,500	190,613		111,388	83,416	194,804
637	(936)	(299)	Surplus/(Deficit) for the Year	2,759	5,774	8,533
466	(14,723)	(14,257)	Surplus/(Deficit) at Beginning of Year	1,103	(15,658)	(14,555)
<b>1,103</b>	<b>(15,659)</b>	<b>(14,556)</b>	<b>Surplus/(Deficit) at End of Year</b>	<b>3,862</b>	<b>(9,884)</b>	<b>(6,022)</b>

## 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 retained share of the Non Domestic Rates.

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 tax base. 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 2016/17 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	88	5/9	49	0.1
Band A	Up to £40,000	37,221	6/9	24,814	34.1
Band B	£40,000 to £52,000	16,607	7/9	12,917	17.7
Band C	£52,001 to £68,000	15,341	8/9	13,636	18.8
Band D	£68,001 to £88,000	9,266	9/9	9,266	12.7
Band E	£88,001 to £120,000	4,913	11/9	6,005	8.2
Band F	£120,001 to £160,000	2,063	13/9	2,980	4.1
Band G	£160,001 to £320,000	1,673	15/9	2,788	3.8
Band H	More than £320,000	199	17/9	398	0.5
Total					100.0%

Estimated collection rate 98%

Council Tax base for tax setting 2016/17 71,396

\* for new/demolished property, exemptions, disablement relief, appeals and discounts (including those granted under the Council Tax Support Scheme)

### 2. Income from Business Ratepayers (National Non-Domestic Rates, NNDR).

From 1 April 2013 National Non-Domestic Rates are organised on a local basis. However the Government specifies the amount (49.7p in 2016/17, compared to 49.3p in 2015/16) and local businesses pay rates calculated by multiplying their rateable values by that amount. The Council is responsible for collecting rates due from ratepayers in its area. 50% of the net rates payable (less certain deductions) are paid to Central Government, and 1% to the Fire Authority.

The NNDR rateable value for the Council's area at the 31 March 2017 was £228,458,550 compared to £225,378,758 at the 31 March 2016.

The Gross NNDR debit for the year was £110,478,812 (£107,326,641 after adjustments relating to appeals). After adjusting for mandatory and discretionary reliefs the net debit was £89,189,849.



## **Statement of Responsibilities for the Accounts**

### **The Council's Responsibilities**

The Council 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 Council, that officer is the Borough Treasurer.
- to manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

### **The Borough Treasurer's Responsibilities**

The Borough Treasurer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code).

In preparing this Statement of Accounts, the Borough Treasurer 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 Borough Treasurer 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 Council at the accounting date and its income and expenditure for the year ended 31 March 2017.

Sue Johnson  
Borough Treasurer  
19 September 2017

## Annual Governance Statement

### 1. Introduction

- 1.1. This statement provides an overview of how the Council's governance arrangements operate, including how they are reviewed annually to ensure they remain effective. A brief summary of significant governance challenges which the Council faces is also given, alongside an explanation of what actions have been taken to bring about required improvements, and what work is still to be done. This provides transparency, and gives assurance that the Council is committed to continuously improve the way in which it functions.
- 1.2. The Council operates in a complex and constantly evolving financial, policy and legislative environment. The role, responsibilities and funding models of local government are in a period of rapid transition. The Council is undertaking a broad programme of work to deliver the Bolton 2030 strategy, engaging staff, residents and stakeholders across the borough. The Council is also influenced and impacted by other major developments including the further development of the Greater Manchester Combined Authority and role of the Greater Manchester Mayor and the devolution of the health and social care budgets.
- 1.3. The changes taking place present both opportunities and challenges. Therefore the Council must continue to engage in a broad programme of development and improvement work so that it can maintain services for residents which are efficient, effective and value for money using available resources. This document explains the governance mechanisms in place to ensure appropriate oversight of this work.

### 2. Scope of Responsibility

- 2.1. Bolton Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The 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.
- 2.2. In discharging these responsibilities, the Council must put in place proper arrangements for the governance of its affairs and effective exercise of its functions, which includes arrangements for the management of risk. The Council's Constitution sets out how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose.
- 2.3. The Code of Corporate Governance and the Council's Constitution are reviewed annually to ensure they remain consistent with the principles of the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives and Senior Managers (CIPFA/SOLACE) joint framework for delivering good governance in local government. CIPFA has issued a 2016 update to the Framework, which is applicable for the preparation of the Annual Governance

Statement (AGS) from 2016/17 onwards and the Council is revising its Code in response to this latest guidance.

- 2.4. This AGS explains how the Council has complied with the Code of Corporate Governance. The AGS also meets the requirements of the [Accounts and Audit \(England\) Regulations 2015](#) regulation 6(1) which requires all relevant bodies to prepare an Annual Governance Statement (AGS).

### 3. The Purpose of the Governance Framework

- 3.1. The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. 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 services and value for money. It also helps ensure and demonstrate accountability to local people and key stakeholders.
- 3.2. 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.
- 3.3. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Bolton Council’s policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

### 4. The Governance Framework:

- 4.1. The governance framework has been in place at Bolton Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts. Key elements of the framework are:
- 4.2.

<b>Planning and Performance</b>	A strategic planning system which identifies priorities and key aims. These are set out in the Borough’s Community Strategy: “Bolton: 2030” produced by Bolton’s partnership Bolton Vision. In addition to specific aims the plan embraces the underlying concepts of continuous improvement and delivery of priority developments to address big issues. This vision is supported by economic, regeneration and other development plans.
	The delivery of key aims is addressed through the Corporate Business Planning Process
	Assistant Director divisional-level plans and service plans set out how each division will deliver the appropriate strategy outcomes, savings targets, and other divisional priorities.
	Performance management process which identifies clear targets against agreed priorities, monitors and reports performance and, where necessary

	<p>implements improvement actions. Performance reports are sent to Executive Cabinet Members each quarter which include the monitoring of performance and risks.</p> <p>Strategic budget process, which includes the delivery of the Council's savings and efficiency programme. This is shaped by the priorities set out in Bolton 2030.</p> <p>Framework of policy plans (some statutory, some local) which are reviewed periodically and assist policy formulation.</p> <p>Protocols in place to manage partnership arrangements.</p>
Legal	<p>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 Cabinet Member reporting, Member scrutiny, external inspection and audit, performance management and benchmarking, management oversight, internal audit and physical and procedural controls.</p>
Risk	<p>Process of Risk Management including review of strategic risks, an assessment of the likelihood and potential impact of risks and registers which record responsibility for managing risk and the action taken.</p> <p>The appointment of Senior Information Risk Owner (SIRO), Information Governance Steering Committee and production of wide ranging guidance on information governance, risk and security on a discrete intranet page.</p>
People	<p>Officer and Member Codes of Conduct guide and direct behaviours and standards expected of staff and Councillors</p> <p>Staff engagement and development through process of staff feedback surveys, personal development reviews and programme of learning and development activity across services.</p> <p>Introduction of a new training programme for Member development.</p>
Finance	<p>Financial management arrangements comply with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010).</p> <p>The financial management of the authority is structured through Financial Regulations and financial Standing Orders, which are subject to regular review and approval, supported by a framework of regular management information, administrative procedures, management supervision and a system of delegation and accountability.</p> <p>Value for Money is promoted across the organisation through the Council's Corporate Planning Business Process and budget setting process.</p> <p>Internal and External Audit provide independent assessment of the financial management and financial reporting of the Authority</p>

<b>Leadership</b>	Political leadership is derived from a Cabinet of 13 Councillors. The Cabinet is made up of four 'Executive Cabinet Members' – The Leader, Deputy Leader, Executive Cabinet Member Environment Services, and Executive Cabinet Member for Regeneration and Resources, and 9 Cabinet Members.
	Officer Leadership is provided through the Council's Executive Management Team, comprising Chief Officers including the statutory Monitoring Officer and S151 (Finance) Officer
<b>Review and Oversight</b>	Audit Committee 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.
	Scrutiny Committees challenge policies and budget allocations, challenge decisions made by portfolio holders, monitor and challenge performance and make recommendations to the Cabinet/Executive Cabinet Members
	There is a process for receiving and reviewing complaints and allegations of wrongdoing through whistleblowing and counter fraud policies and procedures
	An Investigations Panel considers key investigations to ensure good practice is shared, sanctions are consistent, and lessons are learned.
	There is a process for local assessment of allegations of failure to comply with the Code of Conduct for Members.

## 5. Review of Effectiveness

- 5.1. 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 senior officers within the Council including the Borough Solicitor and Borough Treasurer who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit and Risk's Management's annual opinion and by comments made by the external auditors and other review agencies and inspectorates.
- 5.2. The review of governance arrangements is defined in the Council's Assurance Framework as set out below which illustrates the individual elements of assurance.
- 5.3. Elements of the review are shown below:

Component of Governance	Evidence Source
Performance Management	Executive Cabinet Member reports Scrutiny Committee reports
Internal Audit	Annual Internal Audit report and Head of Internal Audit and Risk Management opinion 2016/17

	Review of Internal Audit Service and service assessment of compliance with PSIAS
External Audit	Reports to Those Charged with Governance Annual Accounts Opinion Value for Money Opinion Other External Audit Reports
Management	Internal Audits Directorate Business Plans Directorate Performance Reports Directorate and Service Risk Registers
Risk Management	Annual Internal Audit report and Head of Internal Audit and Risk Management opinion 2016/17 Corporate Risk Register and Directorate Risk Register
Legal and Regulatory Assurance	Monitoring Officer reports
Financial Control	Annual Financial Statements External Audit of the Annual Accounts Compliance with CIPFA Role of the Chief Financial Officer Internal Audits of core financial systems
Members	Review of Constitution Audit Committee workplan and reports Workplans and reports to Scrutiny Committees Member Policy Development Groups
Other	On-going assessment against the CIPFA/SOLACE framework; Delivering Good Governance in Local Government Framework. Feedback from external inspectors and agencies.

## 6. Significant Governance Issues and Improvement Plan

- 6.1. Overall the Council has continued to maintain good practice and a sound system of governance during 2016/17 but the review process has identified some areas for further development that are highlighted in the actions set out below.
- 6.2. This does not mean that the Council does not face other challenges and must continue to focus on responding to significant change arising from demographic change, new legislation and the requirement to deliver substantial budget savings during 2017/18 and beyond.
- 6.3. The key areas of focus in developing the Council's governance arrangements during 2017/18 are:

Development Area	Responsibility and Key Actions
<p>Strengthening the rigour and transparency of corporate governance arrangements including the following:</p> <p>Developing a revised Code of Governance in response to CIPFA / SOLACE Delivering Good Governance in Local Government: Framework (2016).</p> <p>Strengthening the rigour and transparency of corporate and strategic risk reporting. This will include refresh of the corporate risk reporting process and corporate business continuity plan</p> <p>Strengthening the transparency and rigour of decision making, ensuring actions are taken in response to lessons learned from reviews into the award of grant funding in 2017 and the use of emergency power procedure within the Constitution.</p> <p>Maintaining transparency through publication of information in accordance with the Transparency Code, Freedom of Information Act and Data Protection Act.</p> <p>Refreshing the Council's anti-fraud strategy and associated training and awareness for staff and stakeholders.</p>	<p><i>Head of Audit and Risk Management</i> to lead review and refresh of Code with support of Borough Treasurer, Borough Solicitor and Governance, Risk and Assurance Board. Completion by 30 September 2017.</p> <p><i>Head of Audit and Risk Management</i> to lead revision and approval of revised risk management strategy and refreshed Corporate Business Continuity Plan by 30 November 2017.</p> <p><i>Borough Treasurer</i> to implement revised grant award and monitoring processes by 31 August 2017.</p> <p><i>Borough Solicitor</i> to implement revised procedures relating to the use of decision making using emergency powers by 31 August 2017.</p> <p><i>Borough Solicitor</i> and Information Governance Board to lead and oversee good information practice and GDPR implementation programme. Ongoing area of focus as this work is already underway.</p> <p><i>Head of Audit and Risk Management</i> to lead revision of strategy, policies, procedures and staff awareness and training. Plan to be implemented from 30 September 2017 for completion by 31 March 2018.</p>

<p>Actively exploiting opportunities arising from health devolution, the Council's role in AGMA and the GM Combined Authority and in responding to development and collaboration / partnership opportunities in areas such as business rates, worklessness, justice, skills and wider public service reform.</p>	<p><i>Leader and Chief Executive</i> to lead Council response in these areas with support from Cabinet Members and Executive Management Team.</p>
<p>Delivering required savings through well governed innovation and collaboration with private and public sector partners, including Bolton Care and Support.</p>	<p><i>Borough Treasurer</i> to continue oversight of savings delivery as part of budget monitoring and reporting processes.</p> <p><i>Leader and Chief Executive</i> to lead Council response in these areas with key roles in innovation and collaboration support from Cabinet Members and Executive Management Team.</p>
<p>Enabling effective service delivery and engagement with residents, service users and customers through the effective use of robust, secure and resilient ICT systems.</p>	<p><i>Borough Treasurer</i> and ICT Client team to continue to work with Executive Management Team to ensure effective and efficient development and delivery of information and technology systems</p>

6.4. The governance processes however are considered to be effective to enable a robust response to these challenges, manage risks and capitalise on opportunities for further governance and service improvement.

<p>Signed: Leader of the Council</p> <p>Signed: Chief Executive</p>
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## **Independent auditor's report to the members of Bolton Metropolitan Borough Council**

We have audited the financial statements of Bolton Metropolitan Borough Council for the year ended 31 March 2017 on pages 16 to 117. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. 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 Borough Treasurer and auditor**

As explained more fully in the Statement of the Borough Treasurer's Responsibilities, the Borough Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements 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 Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Borough Treasurer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2017 and of the Authority's and the Group's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

### **Matters on which we are required to report by exception**

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages 119 to 125 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition); or
- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or

## Statement of Accounts 2016/17

- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

### **Conclusion on Bolton Metropolitan Borough Council's arrangements for securing economy, efficiency and effectiveness in its 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 20(1) (c) of the Local Audit and Accountability Act 2014 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 Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

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.

#### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2016, as to whether Bolton Metropolitan Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Bolton Metropolitan Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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, Bolton Metropolitan Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Basis for qualified conclusion**

Our work has identified governance weaknesses in the Authority's arrangements in its decision making, when the Authority used its emergency power procedures as contained within its Constitution. Specifically the weaknesses identified were:

- There was no clear rationale documented as to why these decisions should be taken under the emergency powers procedure.
- There was no clear audit trail around the rationale as to whether the decisions made under the emergency power procedure are 'key decisions' or 'other executive decisions'.
- There was no evidence that relevant opposition members have been informed of the decisions, which forms part of the procedure within the Authority's Constitution.

Given these governance weaknesses we are not satisfied that the Authority has proper arrangements to make informed decisions, when using its emergency power procedure within the Authority's Constitution.

### **Qualified conclusion**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, with the exception of the matter reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, Bolton Metropolitan Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

### **Certificate**

We certify that we have completed the audit of the financial statements of Bolton Metropolitan Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice



**Rashpal Khangura**

**For and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
1 St Peter's Square  
Manchester  
M2 3AE

25 September 2017

## ***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 Council 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**

These are appointed by the Public Sector Audit Appointments Ltd 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.

### **CI&E**

Comprehensive Income & Expenditure.

### **CIES**

Comprehensive Income & Expenditure Statement.

### **CODE**

2016/17 Code of Practice on Local Authority Accounting.

### **COLLECTION FUND**

A statutory account maintained by the Council 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.

### **CONDITIONS**

Grant conditions that stipulate the future economic benefit or service potential embodied in the asset acquired using the grant or contribution are required to be consumed as specified, or the future economic benefits or service potential must be returned.

### **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 Council.

### **HERITAGE ASSETS**

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

### **HISTORIC COST**

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

### **IFRS**

International Financial Reporting Standards.

### **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.

### **LATC**

Local Authority Trading Company created to deliver certain Adult Social Care Services collectively known as Bolton Cares

### **MIRS**

Movement in Reserves Statement.

### **NATIONAL NON-DOMESTIC RATES (NNDR)**

National 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. Of the net rates payable, less deductions, 50% is paid to Central Government, 1% to the Fire Authority and 49% is retained by the Council.

**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. 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.

**SeRCOP**

CIPFA Service Reporting Code of Practice 2016/17.

**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.