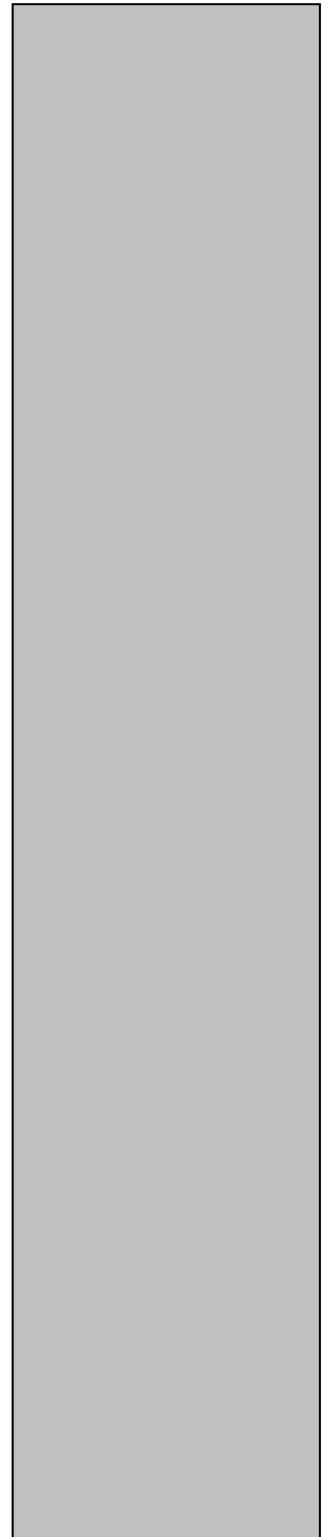


**STATEMENT OF
ACCOUNTS
2004/2005**



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STATEMENT OF ACCOUNTS

Introduction by Councillor Mike Connolly, Deputy Leader and Executive Member for Quality Council (Resource and Performance Management)

I am pleased to welcome you to the Council's Statement of Accounts for 2004/05.

The Government's Comprehensive Performance Assessment (CPA) continues to have a major influence throughout local government whereby each local authority's performance is assessed by the Audit Commission based on performance information that is produced from a variety of sources. The Accounts play a vital part in this as they provide information on the Council's financial performance to a wide range of interested parties. They show how we've spent our money, how we've performed against our budget and how we've invested in our assets.

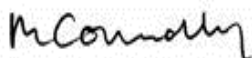
Bury Council is a low spending, low taxing and low borrowing authority. On average we spend 15% per person less than the other nine Greater Manchester Councils, our Council tax is 8% less than that of these other Councils and we owe 30% less per person as well. Whilst much of this is due to the prudent approach taken by the Council it is also true to say that over the past 10 years Bury has been hit particularly hard by Central Government controls on our finances. In 2004/05 the Council received a lower than expected settlement from Central Government. We therefore remain committed to fighting for a better deal for Bury when it comes to the way that Government funding is shared out between Councils.

The Council takes its financial responsibilities very seriously. The Accounts demonstrate that we have continued to exercise tight control over our finances. We have kept our spending to within budget and the difference between what we spent and what we planned to spend is less than 1% of our total budget. Given our gross revenue expenditure of more than £440million this is a very commendable performance. More than £30million has been invested on improving the assets that are so vital to the quality of the services that we aim to provide.

However, there are ever increasing demands on the Council's services and this will clearly put our budget under pressure in the years to come. We are improving the way that we set and monitor our budget and more detailed three-year budgets have been developed that allow the Council to take a longer term view of its budget strategy in order to link it more directly to the Council's aims and objectives and its service plans. We also bring together the regular reporting of budget and service performance to make clearer the links between spending and outcomes.

The Council is committed to obtaining "Best Value" from all of its services and the preparation and presentation of the Accounts continues to be influenced by the Best Value Accounting Code of Practice which sets out to modernise the system of local authority accounting to ensure that it meets the changed and changing needs of modern local government.

Finally I would like to take this opportunity to thank all of the Council's Members and officers who have played a part in the production of these Accounts and who have contributed to the sound financial performance that they demonstrate. In 2004/05 the budget for the year was overseen by my colleague, Wayne Campbell, the Executive Member for Resource at the time, and I am extremely grateful for the work that he put into the process. I would also like to say thank you to everyone who takes the time to read the Accounts; I hope you find them helpful and informative.



**Councillor Mike Connolly
Deputy Leader of the Council and Executive Member for Quality Council (Resource and Performance Management)**

APPROVAL OF THE STATEMENT OF ACCOUNTS

In accordance with Regulation 10 of the Accounts and Audit Regulations 2003 I confirm that these accounts were approved by the Audit Committee at the meeting held on Wednesday, 27 July, 2005.

Signed on behalf of Bury Metropolitan Borough Council:

J P Costello
Chair of the Audit Committee

Date: 27 July, 2005

GLOSSARY OF TERMS

GLOSSARY OF TERMS

ACTUARIAL GAINS AND LOSSES

For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses)
- (b) the actuarial assumptions have changed

ASSETS

Items that are of worth and are measurable in terms of money. Assets can be further classified as:

CURRENT ASSETS

assets which may change in value on a day-to-day basis (e.g. stocks).

FIXED ASSETS

assets which yield benefit to the Authority for a period of a year or more (e.g. land and buildings). Fixed assets are further classified into: -

Operational Assets

assets used in the direct delivery of those services for which the Authority has a responsibility e.g. schools.

Community Assets

assets that the Authority intends to hold in perpetuity, which have no determinable useful life, and which may have restrictions on their disposal e.g. parks and historic buildings

Infrastructure Assets

assets that are required in order to enable other developments to take place e.g. roads.

Non-Operational Assets

assets that are held by the Authority but not directly used or occupied e.g. Investment Properties; Assets under construction; and Surplus assets held for disposal

BALANCES

The **capital** or **revenue reserves** of the Authority, made up of the accumulated surplus of **income** over **expenditure** on any of the Funds.

BALANCE SHEET

A statement of the **assets**, **liabilities** and other **balances** at the end of an accounting period (e.g. a financial year).

CAPITAL

Expenditure on the acquisition, creation or enhancement of tangible **assets** which yields benefit to the Authority for more than a year and/or income from the sale of such **assets**.

CAPITAL CHARGES

Charges made to Committees for the use of their **fixed assets**. Capital charges comprise two elements: -

Notional Interest

a capital financing charge determined by applying a specified notional rate of interest to the amount at which assets are included within the Balance Sheet.

Depreciation

the measure of the wearing out, consumption or other reduction in the useful life of a fixed asset. This is calculated based on the remaining life an asset, and charged to revenue on a reducing balance basis on all depreciable assets except where the remaining life of the asset can be measured.

CAPITAL RECEIPTS

Income from the sale of tangible **fixed assets**. Such receipts may be used to finance additional **capital expenditure** but a certain proportion has to be set aside to repay debt and only the remainder is usable.

CHARGING AUTHORITY

This is an authority which has the task of collecting the Council Tax from the Council Tax payers within its geographical area. Bury MBC is such an authority.

CREDITORS

Money owed **TO** individuals or organisations **BY** the Authority in respect of work done or services rendered within the financial year but for which payment has not yet been made.

CURTAILMENT

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- a) termination of employees' services earlier than expected; and
- b) termination of, or amended to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DEBTORS

Money owed **BY** individuals or organisations **TO** the Authority in respect of work done or services rendered within the financial year but for which payment has not yet been received.

DEFERRED CHARGES

An item in the **Balance Sheet** of a **capital** nature where there is no tangible **fixed asset** in existence (for example improvement grants given to the owners of private houses - this is **capital expenditure** for which the Authority does not receive a **fixed asset**).

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded)

DEFINED CONTRIBUTION SCHEME

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEPRECIATION

The measure of the cost or revalued amount of the benefits of the fixed assets that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

EXPENDITURE

Amounts paid by the Authority for goods received or services rendered of either a **capital** or a **revenue** nature. This does not necessarily involve a cash payment - expenditure is deemed to have been incurred once the goods or services have been received even if they have not yet been paid for (in which case the supplier is a **creditor** of the Authority).

GROUP ACCOUNTS

The preparation of a group revenue account and group balance sheet where local authorities have interests in subsidiaries, associated companies and joint ventures that are material in aggregate.

- a) Group – a reporting authority and its subsidiary entities
- b) Subsidiary – an entity is a subsidiary of the reporting authority if the authority is able to exercise **control** over the operating and financial policies of the entity and the authority is able to gain **benefits** from the entity or is exposed to the risk of potential losses arising from this control
- c) Associate – an entity (other than a subsidiary or joint venture) in which the reporting authority has a **participating interest** and over whose operating and financial policies the reporting authority is able to **exercise significant influence**
- d) Joint Venture – An entity in which the reporting authority has an interest on a long-term basis and is **jointly controlled** by the reporting authority and one or more entities under a contractual or other binding arrangement.

INCOME

Amounts due to the Authority for goods supplied or services rendered of either a **capital** or a **revenue** nature. This does not necessarily involve a cash payment - income is deemed to have been earned once the goods or services have been supplied even if the payment has not yet been received (in which case the recipient is a **debtor** of the Authority).

LEASING

A method of financing capital expenditure where a rental is paid for an asset for a specified period of time. There are two forms of lease; a **Finance Lease** involves the payment of the full cost of the **asset** and at the end of the leasing agreement the **asset** will belong to the Authority; an **Operating Lease** involves the payment of a rental for the use of the **asset** and at the end of the leasing agreement the **asset** will not belong to the Authority.

LIABILITIES

Amounts due to individuals or organisations which will have to be paid at some time in the future. Current Liabilities are usually payable within one year of the **Balance Sheet** date.

LOBO (“Lender Offer Borrower Option”)

A LOBO is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 40 years), initially at a fixed interest rate. Periodically (typically every 3 to 5 years), the lender has the ability to alter the interest rate. Should the lender exercise this option, the borrower then has the option to continue with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum with no other penalty.

OUTTURN

The final actual **income** and **expenditure** earned or incurred in a financial year.

PRECEPTS

The method by which a non-charging authority obtains the income it requires by making a levy on the appropriate **charging authorities**. (i.e. Police and Fire). **Charging authorities** will themselves precept on the Collection Fund to obtain their own income.

PROJECTED UNIT METHOD

An accrued benefits valuation method in which the pension scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants allowing, where appropriate, for future increases; and
- b) the accrued benefits for members in service on the valuation date.
The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

PROVISIONS

These are sums set aside to meet **liabilities** or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs is uncertain.

RESERVES

These are sums set aside to meet possible future costs where there is no certainty about whether or not the costs will actually be incurred.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employers decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVENUE

Income and **expenditure** arising from day-to-day activities.

REVENUE SUPPORT GRANT

This is an annual grant paid by central Government as its contribution towards the cost of the Authority's services in general.

STATEMENTS OF STANDARD ACCOUNTING PRACTICE

These describe methods of accounting approved by the accountancy profession through the Accounting Standards Board and the Financial Reporting Council as being best professional practice, and they are intended to apply to all organisations (albeit with some amendments or minor exceptions).

EXPLANATORY FOREWORD

EXPLANATORY FOREWORD

These Accounts have been prepared in accordance with the 2003 Accounts and Audit Regulations, the Local Government and Housing Act 1989, the current Code of Practice on Local Authority Accounting and the Statement of Recommended Practice 2000 (as amended by the 2003 SoRP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Accounts comprise several individual financial statements and related notes, which are intended to present fairly the financial position and transactions of Bury MBC (the Authority). They give details of the Authority's income and expenditure for the financial year, which ran from **1st April 2004 to 31st March 2005** along with details of the assets and liabilities of the Council at **31st March 2005**. Wherever it is relevant the corresponding figures for the last financial year, 2003/2004, are also shown for comparison. Briefly, the purpose of the individual statements is as follows:-

THE CONSOLIDATED REVENUE ACCOUNT

shows the revenue income and expenditure for each service.

THE HOUSING REVENUE ACCOUNT

shows the revenue income and expenditure on council housing.

THE COLLECTION FUND

shows income collected from Council Tax, Community Charge and business rate payers and from Council Tax and Community Charge benefits. The Fund's expenditure then comprises the amount that the Authority needs from it to pay for its services, precepts made by the Police and Fire Authorities and a provision for uncollectable amounts. Business rates collected by the Authority are passed over to the Government and redistributed nationally so that the Authority receives back an amount dependent on Bury's population. This is paid directly into the General Fund as is Revenue Support Grant.

THE CONSOLIDATED BALANCE SHEET

shows the financial position of the Authority at 31st March 2005 with regards to its assets, liabilities, reserves and balances.

THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

brings together all the recognised gains and losses during 2004/2005 and those which have been and have not been reflected in the Consolidated Revenue Account. The Statement separates the movements between revenue and capital reserves.

THE CASH FLOW STATEMENT

summarises the inflows and outflows of cash arising from revenue and capital transactions with the outside world.

The Accounts comply with the CIPFA Accounting Code of Practice, 2000 and as updated by the 2004 Statement of Recommended Practice.

SUMMARY OF THE COUNCIL'S FINANCIAL RESULTS

When reporting on the financial activities of a local authority it is usual to distinguish between revenue expenditure, which comprises day to day spending such as salaries, wages and running costs, and capital expenditure which relates to spending on assets that provide benefit for more than a year.

REVENUE OUTTURN

As the table below shows, the Authority underspent its budget, as revised in March 2005, by **£5.031m**. This is largely accounted for by planned underspends and carry-forwards in accordance with the Council Policy and for Schools through statute.

At 31st March 2005 the borough's schools had accumulated a total underspending against their budget of **£5.114m**, of which £4.847m is in respect of mainstream school budgets and £0.267m relating to Standards Fund grants which are not required to be spent until 31 August, 2005. Under the terms of the Local Management of Schools scheme of delegation operated by the Authority, this overall underspending will be carried forward, in total, into the 2005/2006 financial year for the schools to use at their discretion.

In the case of the Authority's other Departments, the "Cash Ceiling" scheme of financial delegation operated by the Authority means that they may be able to carry forward into 2005/2006 their underspendings up to a limit that is the greater of 1% of their net budget or £50,000. However, the **total** value of any overspendings must be carried forward. **The directorate carry-forwards requests are included in the revenue outturn report and will be considered, together with their impact on the use of general fund balances, by the Executive on 24 August, 2005. These will then be reported back to the Audit Committee on 20 October 2005 when the audited Statement of Accounts is presented for approval.**

Detailed Outturn and variation reports for all services will be submitted to the Resource & Performance Scrutiny Panel on 28 September, 2005 for all services. These reports are available to members of the public and they may be obtained from the Head of Financial Management at Bury Town Hall or by telephoning 0161-253 5034.

Revenue expenditure during 2004/2005 was: -

	<u>Revised Estimate £000's</u>	<u>Actual £000's</u>	<u>Difference £000's</u>
Net cost of Bury services	200,120	195,089	(5,031)
Precepts :- Police	5,713	5,713	0
Fire	2,474	2,474	0
	208,307	203,276	(5,031)
TOTAL NET EXPENDITURE			
Financed from:-			
Revenue Support Grant	86,339	86,339	0
Business Rates Pool	50,658	50,658	0
Council Tax	64,765	64,765	0
Collection Fund	353	353	0
	6,192	1,161	(5,031)
(SURPLUS) / DEFICIT	6,192	1,161	(5,031)

The **£6.192 million** deficit shown at Revised Estimate was to be funded from **£1.360 million** of General Fund Balances, **£3.095 million** of balances from School Reserves and **£1.737 million** of committee carry forwards and specific carry forward requests.

The Corporate Revenue Outturn Report to be considered by the Executive on 24 August, 2005 details the overall performance of the Council in 2004/2005.

Major Variances included:

<u>Area of Saving</u>	<u>£000's</u>
Schools underspend to be c/fwd into 2005/06	(5,114)
Environmental and Development Services	(1,138)
Social Services, Health and Housing	1,319
Education – Non Schools, and Culture	1,055
Chief Executive's	(453)
Other Variances	(700)
Total	(5,031)

CAPITAL OUTTURN

Total Capital Expenditure in the year was **£38.058million** compared to the revised Capital Programme of **£47.922million**. The majority of this variance is represented by slippage of schemes into the next financial year including improvements to public and private sector housing stock, education grant funded schemes, children's disability service, cleaner safer greener schemes, Liveability grant schemes, and countryside plans. For information on how Capital Expenditure was financed, refer to Note 4 to the Consolidated Balance Sheet (page 62). The major capital schemes in progress during the year included:-

	<u>£000's</u>	<u>£000's</u>
EDS Other Schemes	312	
Play Areas	540	
Parks and Countryside	195	
Liveability Schemes	2,213	
CCTV Schemes	36	
Highways	531	
Highways Bridges	100	
Peel Bridge Weir	228	
Catering	116	
Highways Computer System	91	
Highways Depot Extension/Refurbishment	79	
Car Park Improvements	58	
Extension of Recycling Initiative	351	
Philips High School – Additional Car Parking	25	
Refurbishment of Leisure Facilities	35	
Asbestos Surveys	92	
Asset Management System	80	5,082
Education		
Specialist Facilities / Status in High Schools	291	
Access Initiatives	275	
New Deal Standards – Condition Funding for Schools	1,868	
New Deal Standards – Condition Capital for Schools	2,483	
Sure Start Nursery – Besses	21	
Seed Challenge for Schools	432	
Radcliffe High School	171	
Option Appraisals – Secondary Schools	67	5,608
Cultural Services		
Self Service Library Provision - Castle Leisure Centre	63	
Bury Museum and Archive Development	955	
Prestwich Library Co-location	356	
Ramsbottom Library Co-location	95	
Topping Fold Leisure	113	
Adult Education – The Haymarket	588	2,170
Highways		
Road Safety Schemes	570	
Bus Priority Schemes	874	
Traffic Calming	50	
Bridge Repairs and Maintenance	615	
Road Network Schemes	3,095	
Street Lighting Improvements	60	
Cycling Strategy	91	
Town Centre	90	5,445
Housing & Environmental Services		
Re-roofing council housing	1,256	
Modernisation	1,995	
Heating Schemes	748	
Window Replacement	875	
Environmental and Security Works	421	
Miscellaneous and structural	816	
Private Sector Grants and Associated Works	1,625	
Empty Homes Strategy	184	
Mosses	448	

Environmental works-Pimhole	3,835	
Other Environmental works	34	
Capitalised Salaries	179	
Clearance	54	
Mother & Baby Unit	370	
Southview Extension	168	
New Carelink Control Centre	46	13,054
Planning		
Investment Programme	503	
Roch Valley Regeneration Strategy	173	
Prestwich Village Strategy	103	
Safe routes to schools	71	
ELR Visitor Gateway Improvements	38	
Buckley Wells Project	63	
Preliminary Design	9	
York Street Regeneration	13	
Pimhole Regeneration	10	
Pimhole/James Street Compound	20	
Kirklees Trail	12	
Rhodes Park	18	
Philips Park	11	
Manchester, Bury, Bolton Canal	28	
Bury Ground Access	24	
Countryside & Wildlife	74	
Built Environment & Heritage	193	1,363
Chief Executives		
Land Development – Townside Fields	48	
Council Chamber Refurbishment	123	
Finance & Customer Management Systems	1,892	2,063
Social Services		
Killelea refurbishment	1,228	
Local Information Strategy	111	
National Care Standards	448	
Seedfield Disability Stores Extension	117	
Sure start Nursery	689	
Integrated Children's Services	28	
Falcon & Griffin Home Care	8	
Street Wise – Wash Lane	111	2,740
Chief Executive		
Kwik Save – Radcliffe	335	335

TOTAL		37,860

During the year there were a number of material capital receipts due to the disposal of council houses, various land, Parkside Children's Home, and Mill Road Garage Colony. The Capital Outturn report will be considered by the Executive on 24 August, 2005 and copies of the Capital Outturn report will be available from the Head of Financial Management at Bury Town Hall during normal office hours or by telephoning 0161-253 5034.

HOUSING

The Housing Revenue Account (HRA) on page 49 shows that a deficit of **£1.212 million** was achieved during the year. This was against an estimated deficit for the year of £2.297 million.

COLLECTION FUND

The information shown on page 55 demonstrates that at 31st March 2005 there was a surplus balance on the Collection Fund of **£0.098 million**. This sum will be utilised in 2005/2006 and the following year to reduce the level of the Council Tax.

INSPECTION OF THE ACCOUNTS

Members of the public have the right to inspect the Authority's Accounts, including supporting documents, prior to external audit and then to question the auditor or make objections to the Accounts. This year the Accounts will be deposited for inspection at the Town Hall for 20 working days (as required by the 2003 Accounts and Audit Regulations) commencing **1st August 2005** and the External Auditor will be available for questioning on or after **30th August 2005**. This facility was advertised in the local press.



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BURY METROPOLITAN BOROUGH COUNCIL

STATEMENT ON INTERNAL CONTROL 2004/05

1. SCOPE OF RESPONSIBILITY

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

In discharging this overall responsibility, the authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

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

The system of internal control has been in place at Bury MBC for the year ended 31 March 2005, and up to the date of approval of the annual accounts.

3. THE INTERNAL CONTROL ENVIRONMENT

Bury MBC has a sound control environment of which the key elements are shown below. A file of supporting evidence has been collated and reviewed by the SIC Challenge Panel. The key elements of the control environment are:

Establishing and monitoring the achievement of the authority's objectives

- The Council has adopted a Constitution that sets out the Council's Policy Framework and how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent, and accountable to local people.
- The Constitution encompasses Standing Orders, Financial Regulations and the Scheme of Delegated Powers, together with Codes of Conduct for both Members and employees. The Constitution is regularly reviewed and updated, and is available on the Council Website and Intranet.
- The Council has adopted a Local Code of Corporate Governance, reflecting the framework produced by CIPFA/SOLACE. The key elements of the Code are overseen by the Standards Committee and training on corporate governance has been provided to Council Members. The Code has been incorporated into the authority's Anti-Fraud and Corruption Strategy which takes a strong line on fraud issues, and also includes sections covering Confidential Reporting (Whistle-blowing), Benefit Fraud Prosecutions, Guidance for Members attending outside bodies, and Standards of Conduct for officers and Members.
- Well established procedures are in place for setting and monitoring the authority's objectives, and the Council has a well developed and clearly understood policy and decision making process. Priorities and longer-term ambitions are thoroughly re-examined each year by key Members and officers at a Strategic Forward Planning Event. In July 2005 this will also include representatives from key partner agencies drawn from the Local Strategic Partnership.
- Priorities and ambitions form the basis of the Community Strategy, and the authority's Corporate Plan, and also play a major role in the resource allocation process. The Council

operates a Priority-led budgeting process which aims to direct revenue and capital resources towards strategic priorities. A Capital Programme Strategy Group has been established to oversee the development of this process in respect of capital resources and a Priority Investment Reserve has been established to facilitate the reallocation of revenue resources with effect from 2005/06 onwards.

- Statutory obligations, priorities, ambitions and service priorities are encapsulated into Service Plans that are produced on an annual basis by each Council Department.
- Objectives, ambitions and priorities are communicated throughout the community and the Council via the web-site, posters placed in public buildings, press releases and the Best Value Performance Plan
- Progress towards the achievement of the objectives is monitored at quarterly dedicated meetings of the Executive and through the performance management framework.

The facilitation of policy and decision making

- The full Council meets approximately every 12 weeks and the Executive meets every 3 weeks to consider the strategic plans and policies of the authority. In addition the Council has two regulatory committees - Planning Control Committee and Licensing and Safety Committee. A Schools Forum and a Schools Organisation Committee are also in existence.
- As set out above, the formal decision making process is underpinned by a Scheme of Delegated Powers and Codes of Conduct.
- The authority also operates 3 outward looking Scrutiny Commissions (Healthier and Safer Communities, Learning Communities and Economy, Environment and Transport) that are charged with policy development and review and the scrutiny of decisions taken by the Executive and 2 inward looking Scrutiny Panels (Resource and Performance Management) that focus on the use of resources and performance (this structure was amended from May 2005 to become 4 Commissions and 1 Panel). The Commissions/Panels each had/have a structured work programme
- To facilitate corporate governance, the authority has a Standards Committee and an Audit Committee, both of which include independent members
- All meetings are open to the public and every meeting makes provision for a "Public Question Time" session
- Agendas, reports, minutes and the Forward Plan are publicly available on the Council's web-site
- Six Area Boards have been established to act as a two-way channel between the formal decision-making process of the Council and local communities. As well as being a local forum, Area Board advise on service levels and are able to expend limited sums of money to support social, educational, recreational and environmental projects within their locality.

Ensuring compliance with established policies, procedures, laws and regulations

- The Council's Director of Legal & Democratic Services is designated as "Monitoring Officer". It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations.
- The financial management of the authority is conducted in accordance with the Financial Regulations set out in the Constitution
- The Director of Finance and E-Government, as the Council's Chief Finance Officer, has responsibility for the legality of the Council's financial transactions
- The Council has an Internal Audit function which operates to the standards set out in the CIPFA guidance for Internal Audit in Local Government. The Head of Audit and Risk Management reports impartially and in his own name on the adequacy and effectiveness of the Council's internal control environment. The scope of Internal Audit covers all Council activities and Internal Audit has unrestricted access to all Council personnel, records and assets in order to conduct its business.
- The Council has a well established Audit Committee which monitors and evaluates the Council's internal control arrangements and considers all external audit reports. Copies of all internal audit reports are provided to Members of the Committee (and to other senior Members and officers) and the Committee has the opportunity to question the Head of Audit and Risk Management on any matters raised in reports and service responses.
- The Council is subject to external audit by the Audit Commission and external inspection and review by a number of agencies. The Council has a positive and constructive approach to the

reports and recommendations made by these agencies and regular meetings are held between the auditor and the Management Board. The auditor also attends the Audit Committee.

- The Council has various corporate strategies in place to support compliance with policies and procedures. These strategies cover ICT, Human Resources, Procurement, Health and Safety and Complaints.
- Compliance with established policies, procedures, laws and regulations is carefully monitored. Every Council report produced has a section which must consider a range of implications, including financial, legal, risk etc., and additionally, must contain statements by the Monitoring Officer and the Director of Finance and E Government, to ensure that all legal and financial issues are fully considered, and that Members are advised accordingly.

Identifying, assessing and managing the risks to the authority's objectives

- The authority has adopted a detailed Risk Management Policy and Strategy, incorporating a "live" action plan which aims to continuously improve the approach to risk management within the authority
- The Executive Member for Quality Council and the Director of Finance and E Government have been nominated as member and officer Risk Management Champions respectively.
- Each Council department has appointed a lead officer for Risk Management.
- A Risk Management Group has been established, chaired by the Director of Finance and E-Government, which includes senior representatives from all key service areas. The authority's insurers and insurance brokers also have representatives on the Group.
- All members of the Group have been provided with accredited training on risk management. Awareness training has also been provided to officers and Council Members.
- Strategic and departmental risk registers have been compiled using a corporate approach based on the Zurich Municipal STORM process. The risk registers are to be reviewed in August 2005. Actions to mitigate key risks are reflected in departmental Service Plans.
- A Risk Management Report is prepared annually by the Risk Management Group for consideration by the Resource Scrutiny Panel and the Management Board
- Specific sections for setting out risk issues are contained in Executive and Management Board reports
- The authority has developed a local Project Management Methodology (based on the principles of Prince2) and a risk assessment of each project forms a key element of the Project Initiation Document template
- Business Continuity Plans are currently being prepared with assistance from the authority's insurers and brokers. The BCP will align closely with the authority's Emergency Plan and will be thoroughly tested as part of the preparation process. It is expected that the BCP will be placed before the Executive in September 2005.
- A comprehensive review of these arrangements has been conducted by the Audit Commission during the year. This concluded that "the Council has developed solid foundations and is implementing its strategic approach to risk management. Departments are actively involved in identifying corporate and departmental risks"

Ensuring best value and continuous improvement

- This is achieved in a number of ways including reviews and inspections by the external auditor, external agencies, Internal Audit, Scrutiny Commissions and internal Project Boards
- The authority constantly seeks ways of ensuring the economical, effective and efficient use of resources and for ensuring continuous improvement in the way its functions are exercised
- All reports and developments are assessed by the Director of Finance and E Government
- The authority is actively involved in joint working with partners such as the police and the Primary Care Trust, and with other Greater Manchester councils, to explore methods of working which will improve efficiency and effectiveness
- The authority also contributes to a number of benchmarking clubs, across a range of services, that allow comparison of performance, costs and best practice
- The authority has taken a pro active approach to the e-government agenda with over 600 processes being e-enabled. At 31st March 2005 the authority's BVPI157 stood at 88% and is expected to reach 100% by December 2005. The authority is also on target to meet the Priority Outcomes and is investing in state-of-the-art business systems such as HR/Payroll,

financial management, revenues and benefits and customer contact. The authority is using the e-government agenda to drive forward improvements in transactional efficiencies

- The authority is committed to modernising its procurement processes. It has undergone an Improvement and Development Agency procurement health-check and has developed links with the Regional Centre for Excellence. An e-tendering model is being developed and the authority has made use of the Egan principles to procure building maintenance services
- The authority is committed to ensuring services are delivered by individuals with the capacity and skills to enable continuous improvement. Bury was recently awarded corporate Investors in People status and an in-house capacity building programme has seen 150 managers assessed against the Audit Commission's 'performance Breakthrough' model
- The authority has responded positively to the 'Gershon' agenda and the Forward Look Annual Efficiency Statement for 2005/06 demonstrated that the authority has identified efficiency savings totalling £3.866m
- A corporate Asset Management Plan (AMP) exists that received the highest possible rating from ODPM. This is underpinned by service based AMPs and by a dedicated IT system that will link into the new financial management system that is currently being installed.

The financial management of the authority and the reporting of financial management

- The Council has designated the Director of Finance and E-Government as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972
- The financial management of the authority is conducted in accordance with the Financial Regulations set out in the Constitution
- Sound procedures are in place covering the financial management of the authority and the reporting of financial management information. This is now incorporated into the Planning and Performance Cycle. The authority has a Medium Term Financial Strategy and produces rolling 3-year budget forecasts, based on the assumptions set out in the MTFS. Each main service Department has also produced a MTFS setting out resources, pressures, budget allocations and plans for addressing any budget 'hot spots'
- The authority is currently implementing a modern financial management system which will link into other key business systems and which will act as a catalyst for, amongst other things, improved procurement processes
- The authority operates a scheme of delegated budgets supported by professional corporate and departmental finance functions. These are underpinned by protocols setting out the responsibilities and lines of reporting for departmental finance staff
- Regular revenue, capital and HRA budget monitoring, indicating actual expenditure and full year forecasts, is undertaken and reported to service management teams, the Management Board, the Executive and the Resource Scrutiny Panel on a quarterly basis. These reports identify reasons for variances and set out corrective action that is proposed. Summary monitoring reports are also prepared monthly and submitted to Directors and key Members.
- A Project Board has been established to monitor Social Services' spending and to oversee the implementation of corrective action.
- Treasury Management is conducted in accordance with a Treasury Management Annual Strategy and Plan, and borrowing is in accordance with the Prudential Code. The authority has responded pro-actively to the Prudential Code and prudential indicators are reported quarterly to Members and the Management Board. The authority has developed a policy setting out the conditions under which prudential borrowing can be utilised

The performance management of the authority and the reporting of performance management

- The Council has a comprehensive Planning and Performance Framework which, coupled with its Best Value Performance Plan, helps to secure continuous improvement in the way in which our functions are exercised.
- The authority focuses on the monitoring of 52 'Priority' performance indicators (PIs). These include key corporate health PIs, service critical PIs and local high risk PIs
- A well established corporate Performance team operates under the direction of the Deputy Chief Executive
- A Local Public Service Agreement has been negotiated with ODPM and progress towards the targets is monitored on a bi-annual basis

- The authority has established a Performance Management Scrutiny panel which receives regular reports on performance against targets
- Other external monitoring of performance takes place through the various audit and inspection regimes
- Senior managers at the authority are kept up to date at regular Performance Managers' Workshops and Chief Executive's Briefing Sessions
- Several services have obtained Quality Assurance accreditation

4. REVIEW OF EFFECTIVENESS

Bury MBC has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of Internal Audit and the executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the Council's external auditors and other review agencies and inspectorates.

The process of maintaining and reviewing the effectiveness of the system of internal control includes the following measures and actions:

- The Council, has adopted a Planning and Performance Framework, and carries out a programme of monitoring which runs throughout its annual cycle. This includes: monthly scrutiny of all budgets; bi-annual monitoring of Service Plans; quarterly monitoring of Best Value Performance Indicators/Local Public Service Agreement (BVPIs/LPSA); and bi-annual monitoring of the Corporate Plan. Internal Audit reviews the effectiveness of the data collection processes that underpin the internal and external reporting of BVPIs. Each summer the lead Members and officers hold a Strategic Forward Planning Event, in order to review performance and re-define corporate objectives and ambitions.
- Internal arrangements for the control of performance are leading to better results. The Annual Audit and Inspection Letter (2004) highlighted 57% of PIs improving with 59% in the top half nationally. The report also stated (p.5) that the "sound preparation systems for BVPIs is notable and a major improvement during the last two years." Subject to audit, 2004/05 BVPIs show a continued improvement in service output although the rate of improvement is slowing as more indicators reach their ceiling level. In CPA terms, service scores rose in 2004 by 7 points (on top of a 10 point rise the year before - equating to a 50% increase in service scores since 2002). A Corporate Assessment in 2004 saw the corporate performance score increase by some 21%. Performance is also leading to better outcomes as reflected in higher recycling rates, modernised services for older people (including more emphasis on home care, reduced hospital discharges), reduced crime levels and excellent education results.
- The Executive carries out functions which are not the responsibility of any other part of the authority. Several members of the Executive are assigned portfolio areas, and are assisted by non Executive Members who are appointed Lead Member status for particular areas of responsibility. This allows the Executive to monitor the activities of the authority.
- There is a well established Overview and Scrutiny function which has been revised and updated in the light of experience. Scrutiny Panels (internal focus) and Commissions (policy development) review the work of the Council throughout the year and also report annually to Council.
- The Executive Directors have each reviewed the operation of key controls throughout the Council, from the perspective of their own directorates, using a detailed checklist. They have provided a signed assurance statement and identified any weaknesses or reservations for inclusion in an improvement programme which will form the basis of an action plan to this report.

- The Monitoring Officer carries out a continuous review of all legal and ethical matters, receiving copies of all agendas, minutes, reports and associated papers, commenting when necessary, or taking appropriate action, should it be required. The Monitoring Officer is also responsible for monitoring the Local Code of Corporate Governance.
- The Director of Finance and E Government prepares a Risk Management Annual Report reviewing activities and progress for the year, and also reviews the Local Code of Corporate Governance.
- The Standards Committee is responsible for standards and probity, and receives regular reports from the Monitoring Officer.
- The Audit Committee carries out an overview of the activities of the Council's internal and external audit functions. Members are provided with copies of all reports produced by Internal Audit and by the Audit Commission. They approve the annual plans for each, and receive regular progress reports throughout the year. The Head of Audit and Risk Management submits to them an Annual Report and Opinion, and the external auditor (Audit Commission) submits an Audit and Inspection Annual Letter.
- The Internal Audit service is a directly employed in-house service, providing a continuous review in accordance with the Council's obligations under the Local Government Act 1972, and the Accounts and Audit Regulations 2003. It operates under the APB (Auditing Practices Board) Guidelines and CIPFA Code of Practice for Internal Audit in Local Government, as approved by the Audit Committee.
- The Council's external auditors (the Audit Commission) review the activities of the Council and approve the annual accounts. Conclusions and significant issues arising are reported in their Annual Audit and Inspection Letter.

The Audit Committee has been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Authority, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

The Effectiveness statement set out in section 4 above demonstrates that the Control Environment described in section 3 is operating effectively. Further evidence to support this conclusion comes from:

- The Annual Report and Opinion by the Head of Audit and Risk Management stated "The effectiveness and security of local authority systems and controls are underpinned by the overall control framework. At Bury this is considered to be sound..."
- The Audit and Inspection Annual Letter by the District Auditor and Relationship Manager stated "Bury has developed and maintained sound systems of internal financial control. The quality of the work of Internal Audit is good."

No significant internal control issues have been identified, and based on the various assurances given, satisfactory corporate governance arrangements are deemed to be in place and working effectively.

However, it is recognised that significant overspendings have occurred within the Education and Social Services' budgets during 2004/05 and these have placed pressure on the authority's overall budget strategy for 2005/06. The overspendings were identified at an early stage as a result of the effective budget monitoring procedures that are in place and this allowed corrective action to be put in place and also gave the authority the opportunity to address the situation when setting the budget for 2005/06. A Project Board has been established to review the situation and to drive forward future corrective action.

In order to ensure continuous improvement of the control environment the following actions are deemed to be the authority's immediate priorities:

- Take the development of the Risk Management function to the next stage, including a review of the Policy and Strategy, a refresh of corporate and departmental risk registers and an extension of training to lower tiers of management.
- Complete Business Continuity Plans and put in place arrangements to allow the authority to respond pro actively to the Civil Contingencies Act.
- Introduce an annual Monitoring Officer's report which will incorporate a review of the Local Code of Corporate Governance.
- Strengthen the arrangements to monitor the Children's Services budget and improve financial monitoring information generally (linked to the introduction of the new financial management system).
- Continue to give high priority to ensuring that the new business systems operate within an effective control framework.
- Review the Council Constitution in the light of changing circumstances such as the introduction of Sixtown Housing, an Arms Length Housing Organisation, and the establishment of Askbury, a joint venture company, and undertake an effective awareness raising process at Member, officer and partner level.
- Develop a Long Term Financial Strategy looking ahead and identifying financial issues covering the coming 10 years

Detailed action plans will be prepared to support each of these issues and these will be incorporated into individual Service Plans and progress will be monitored in line with the corporate performance monitoring process.

The SIC itself, and progress on the actions set out above will also be reviewed and monitored by the Management Board and the Audit Committee on a quarterly basis.

Signed:

Chief Executive



Date 19 July 2005

Council Leader



Date 19 July 2005

STATEMENT OF RESPONSIBILITIES

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In Bury that officer is the Director of Finance & E-Government.
- To manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.
- To approve the Statement of Accounts

The Director of Finance & E-Government's Responsibilities

The Director of Finance & E-Government is responsible for the preparation of the Authority's Statement of Accounts which, in terms of CIPFA's Code of Practice on Local Authority Accounting in Great Britain, is required to present fairly both the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2005.

In preparing the Statement of Accounts the Director of Finance & E-Government has:

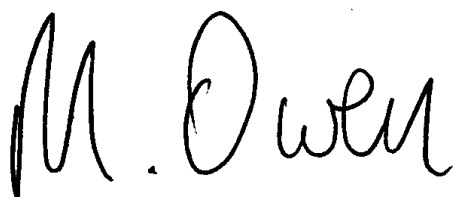
- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The Director of Finance & E-Government has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;
- Signed the letter of representation with the External Auditor.

The Auditor's Responsibilities

The External Auditor's Certificate and Opinion will be included at page 28.



**M. OWEN C.P.F.A.
Director of Finance & E-Government**

AUDIT OPINION & CERTIFICATE

AUDIT OPINION AND CERTIFICATE

AUDITOR'S REPORT TO BURY METROPOLITAN BOROUGH COUNCIL

This page will be inserted upon conclusion of the audit.

ACCOUNTING POLICIES

ACCOUNTING POLICIES

GENERAL

The Accounts have been prepared in accordance with the Accounts and Audit Regulations 1983 (as amended in 1996 and 2003 where applicable) and the Local Government and Housing Act 1989. They follow the principles and form recommended by the Code of Practice on Local Authority Accounting issued by CIPFA (the Code). They also conform with CIPFA's Statement of Recommended Practice (SoRP) on The Applicability of Statements of Standard Accounting Practice (SSAPs), and Financial Reporting Standards (FRSs), to Local Authorities in Great Britain. Any divergence from either the Code or any SSAP is indicated with an appropriate explanatory note.

FIXED ASSETS

From 1st April 1994 all expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. Expenditure on fixed assets is capitalised provided that the asset yields benefits to the Authority and the services it provides are for a period of more than one year. This excludes expenditure on routine repairs and maintenance, which is charged direct to service revenue accounts.

Fixed assets have been classified into the groupings required by the Code and closing balances at 31st March 1994 were restated as at 1st April 1994 on the following basis: -

- Land, operational properties and other operational assets have been included in the Balance Sheet at the lower of net current replacement cost or net realisable value in existing use;
- Non operational assets, excluding investment properties, have been included in the Balance Sheet at the lower of net current replacement cost or net realisable value. In the case of investment properties, these are valued at open market value;
- Infrastructure assets have been included in the Balance Sheet at historic cost; community assets have been included at historic cost or open market value.

In applying the concept of materiality, and in view of the practical implications of revaluing the Authority's assets, a de-minimis level of **£15,000** in respect of vehicles and plant has been applied. Fixed assets in this category with a value below these levels have not been included in the Balance Sheet.

The surpluses arising from the initial revaluation of fixed assets have been credited to the Fixed Asset Restatement Account. Subsequent revaluations are planned at intervals of no greater than 5 years, although material changes to asset valuations will be accounted for as they occur. The relevance and amount of the de-minimis levels have been reviewed in the current year, this review will continue in future years.

The School Standards and Framework Act 1998 changed the status of grant maintained schools to foundation schools maintained by the local education authority. The change for funding purposes took effect from 1st April 1999. This change has resulted in the inclusion of opening and closing balances for current assets and liabilities controlled by foundation schools within the Consolidated Balance Sheet. Fixed Assets and long term liabilities remain vested in the Governing Bodies of individual foundation schools and therefore values and amounts have not been consolidated in this balance sheet.

DEPRECIATION

Depreciation is provided for on all fixed assets included in the Balance Sheet at the commencement of the financial year having recourse to asset disposals.

Depreciation is provided at the following rates and bases:

	<u>Bases</u>	<u>Rate</u>
Schools and Education Properties	Reducing Balance	50 Years
Other Operational Properties	Reducing Balance	50 Years
Infrastructure Assets	Reducing Balance	25 Years
Plant & Equipment	Reducing Balance	10 Years
Fixed Assets - Intangible		
Council Dwellings	Major Repairs Allowance	-

For 2004/05 the Council has applied depreciation across all assets in accordance with FRS15 'Tangible Fixed Assets'.

CHARGES TO REVENUE

From 1st April 1994, general fund service revenue accounts, central support services, statutory trading services and Direct Service Organisations (DSOs) have been charged a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest of 3.5% to net asset values for assets carried at current value and 4.8% for assets carried at historical cost.

The charge made to the Housing Revenue Account (HRA) is an amount equivalent to the statutory capital financing costs (known as the Item 8 Determination).

Interest payable (including internal interest) and the provision for depreciation are charged to the Asset Management Revenue Account, which is in turn credited with the capital charges explained in the preceding paragraph. Capital charges therefore have a neutral impact on local taxation levels.

INTANGIBLE ASSETS (formerly DEFERRED CHARGES)

Intangible Assets represent expenditure which may properly be capitalised but which does not represent tangible fixed assets. It is a requirement that any expenditure that does not represent continuing value to the Authority should be amortised to revenue in the year that the expenditure is incurred. As shown in Note 2 of the Consolidated Balance Sheet (page 61), intangible assets, other than that relating to Probation Service debt, have been written off to revenue in year.

INTEREST

Services are charged Notional Interest for the use of assets and this charge is then credited, or reversed, in the Asset Management Revenue Account (AMRA). Interest payable on borrowing is then charged to the AMRA, on a straight-line basis over the period of the loan.

Where the loan agreement has a provision that allows for its early redemption under certain conditions, the period of the loan for the apportionment of interest charges is held

to be that up to the next point at which it is a commercial possibility that such a provision could be exercised.

The Council has a number of LOBO loans (see Glossary). For the purpose of apportioning interest costs, the loan period is therefore considered to be that up to which the lender can exercise his offer. In effect, this means that the interest charged to the AMRA is the actual interest paid to the lender in the period

LEASING

Lease rentals are charged direct to service revenue accounts. Any outstanding liabilities on leases of vehicles or plant will be met from the revenue proceeds of sales or insurance settlements and therefore no provision has been made in the Accounts. The value of leased assets is not reflected in the Balance Sheet.

CAPITAL RECEIPTS

Income from the disposal of fixed assets, known as capital receipts, has been accounted for on an accruals basis. A proportion of the capital receipts earned during the year have been pooled and paid out to ODPM as per Local Authorities Finance Regulations 2004 using the proportions as first defined in the Local Government and Housing Act 1989. This forms part of the Capital Financing Account. The balance is available to finance further capital expenditure and this is explained further in Note 15 to the Balance Sheet on page 69.

REVENUE TRANSACTIONS

These have been recorded on an income and expenditure basis at historical cost in accordance with SSAP No.2. Debtors and creditors have been accrued on the basis of actual sums receivable or payable wherever possible although it has been necessary to estimate some amounts based on the most recent and accurate information available. However there are significant variations to this principle: -

- Not all payments to public utilities (gas, electricity etc.) have been accrued but since this is a consistent policy from one year to the next the effect on the Accounts for 2004/2005 will not be material.
- Employees' holiday pay entitlement at the year-end is not accrued.

Provision has been made for doubtful debts where necessary and uncollectable amounts have been written-off.

Council dwelling rents are regarded as annual amounts payable over 50 weeks.

INVESTMENTS

Investments are recorded in the Balance Sheet at cost.

STOCKS, STORES AND WORK-IN-PROGRESS

These are shown at cost with relatively insignificant stocks not being included within the Balance Sheet.

SUPPORT SERVICES

The costs of support services such as administration and management are fully allocated to users on various bases compatible with practices recommended by CIPFA. The

allocation bases include actual time spent by staff, building floor area occupied and actual usage of support services.

PROVISIONS AND RESERVES

From 1st April 1994 the introduction of the new system of accounting for fixed assets has required the establishment of two new reserve accounts in the Balance Sheet: -

- The Fixed Asset Restatement Reserve, which represents principally the balance of the surpluses arising from the periodic revaluation of fixed assets;
- The Capital Financing Reserve, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.
- These have been renamed in the 2004 SoRP to the Fixed Asset Restatement Account and the Capital Financing Account in order to clarify the fact that these reserves are backed or balanced within the balance sheet by fixed assets and do not constitute a funding resource available to the authority. The change has no impact on how these are used.
- Additionally, due to full implementation of FRS17 Retirement benefits, a Pensions Reserve has been established which provides for the net change in the pensions liability to be met by the Council which is recognised in the Consolidated Revenue Account where the pension payments made in the year in accordance with the pension scheme requirements do not match the change in the authority's recognised asset or liability for the same period.

The level, purposes and transactions in respect of the other reserves and provisions are set out in Notes 12 and 13 to the Balance Sheet on page 67.

PENSIONS

The Authority pays employer's contributions for different types of employees as follows: -

- **Teachers**

The Council administers a centralised scheme for the Department for Education and Skills (DFES) and although the scheme is unfunded the DFES uses a notional fund as the basis for calculating the employer's contribution rate paid by the Authority.

- **Other Employees**

Contributions are paid to the Greater Manchester Pension Fund that is administered by Tameside MBC on behalf of the 10 Greater Manchester district councils. This is a contributory, final salary based, occupational pension scheme which is contracted out of the State Earnings Related Scheme. The contribution rate is determined by the Fund's actuary based on triennial valuations, the last of which took place in 2004.

Details of contribution rates and amounts paid to the schemes in 2004/2005 are shown in Note 9 to the Consolidated Revenue Account on page 42.

Requirements for accounting for pension costs have gone through substantial change over the financial years 2001/02 to 2003/04. The requirements of **FRS17 Retirement Benefits** have been fully incorporated into the Statement of Recommended Practice for Local Authority Accounting for the 2004/05 financial year. The preparation of the information for this disclosure has required the assistance of actuaries and can be found in Note 22 to the Consolidated Balance Sheet on page 72.

The purpose of the pensions disclosures is to provide clear information on the impact of this authority's obligation to fund the retirement benefits of its staff on its financial position and performance.

VALUE ADDED TAX (VAT)

Value Added Tax is included in the accounts only to the extent that it is irrecoverable and therefore charged to service expenditure.

CONSOLIDATED REVENUE
ACCOUNT

CONSOLIDATED REVENUE ACCOUNT

<u>2003/2004</u>	<u>2004/2005</u>			<u>Notes</u>
<u>Net Expenditure</u> <u>£000's</u>	<u>Gross Expenditure</u> <u>£000's</u>	<u>Income</u> <u>£000's</u>	<u>Net Expenditure</u> <u>£000's</u>	
Continuing Services				
3,155 Central Services to the Public	26,041	(23,364)	2,677	
2,219 Non-Distributed Costs	2,525	(33)	2,492	
766 Court Services	859	(25)	834	
17,555 Cultural, Environmental & Planning Services	35,761	(15,334)	20,427	
102,453 Education Services	166,464	(61,204)	105,260	
16,854 Highways, Roads & Transport Services	24,266	(6,333)	17,933	
9,508 Housing Services	66,362	(53,962)	12,400	
41,680 Social Services	91,953	(44,413)	47,540	
4,379 Corporate & Democratic	5,184	(536)	4,648	
6,927 Levies	6,692	-	6,692	
899 Other Operating Inc & Exp.	10,382	(9,900)	482	
206,395 NET COST OF SERVICES	436,489	(215,104)	221,385	
(1,527) (Surplus)/Deficits on Trading Operations			(2,084)	5
15,800 Pension Interest Cost			15,300	9
(14,700) Return on Assets			(18,500)	9
(9,232) Asset Management Revenue Account			(12,263)	3
(29) Gain on repurchase of borrowing			(29)	
0 Contribution to Housing Pooled Capital Receipts			5,438	
(1,676) Interest Receivable			(1,442)	6
195,031 NET OPERATING EXPENDITURE			207,805	
1,088 Transferred to HRA balances			(1,212)	
(561) Transfer to / (from) Other Earmarked Reserves			(851)	4
(4,634) Movement on Pensions Reserve			(1,967)	9
1,441 Capital Expenditure Financed from Revenue			2,202	
0 Transfer from Usable Capital Receipts equal to Housing Pooled Capital Receipts			(5,438)	
(5,730) Deferred Charges			(4,684)	
(95) Provision for repayment of external loans			(766)	8
186,540 AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXATION			195,089	
(54,979) Council Tax			(56,578)	
(74,918) Revenue Support Grant			(86,339)	
(52,891) Contribution from Non-Domestic Rate Pool			(50,658)	
(345) Collection Fund Surplus			(353)	
3,407 NET (SURPLUS)/ DEFICIT			1,161	
(10,753) Balance on General Fund			(7,346)	

Brought Forward	
(7,346) Balance on General Fund Carried Forward	(6,185)
(3,032) (General Fund balance attributable to schools budgets)	(5,114)

M. Owen

**M. OWEN C.P.F.A.
Director of Finance & E-Government**

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

The Consolidated Revenue Account is presented in accordance with the CIPFA Code of Practice on Local Authority Accounting, which requires all Councils to present their accounts in accordance with CIPFA's Best Value Accounting Code of Practice and aims to encourage consistent financial reporting within and between Council's.

1. VARIATIONS

Detailed reports explaining the variations between the Revised Estimates and the Net Expenditure figures will be presented to members of the Resource and Performance Scrutiny Panel on 28 September, 2005. A summary outturn report will be presented to the Executive on 24th August, 2005.

Copies of these reports are available from the Head of Financial Management at Bury Town Hall during normal office hours or by telephoning 0161-253 5034.

2. PRIOR YEAR ADJUSTMENTS / EXCEPTIONAL ITEMS

These accounting policies represent a change to those applied in prior years. There were no material prior year adjustments or exceptional items.

3. ASSET MANAGEMENT REVENUE ACCOUNT

The Asset Management Revenue Account (AMRA) is an account introduced as part of the arrangements for accounting for fixed assets. The components of the Account are shown in the table below: -

<u>2003/2004</u>		<u>2004/2005</u>
<u>£000's</u>		<u>£000's</u>
	<u>Expenditure</u>	
4,848	External Interest charges	4,580
7,393	Provision for Depreciation	8,236
12,241		12,816
	<u>Less Income</u>	
(10,967)	Capital charges – General Fund	(11,845)
(10,506)	Housing Revenue Account	(13,234)
(21,473)		(25,079)
(9,232)	TOTAL TO GENERAL FUND & HRA	(12,263)

4. RESERVES

Reserves and details of these and their balances, are given in Note 13 to the Consolidated Balance Sheet (Page 67). However for completeness, in considering the Consolidated Revenue Account the following movements relating to Reserves should be noted: -

Reserves	Housing Services £000's	Planning Services £000's	Cultural Services £000's	Finance £000's	Policy/ C Execs £000's	Highways £000's	Social Services £000's	Comp Services £000's	TOTAL £000's
Airport Shares					(210)				(210)
Arts Reserves			5						5
Energy							14	(76)	(62)
Outwood Viaduct								3	3
School Catering								(24)	(24)
Major Repairs	(29)								(29)
IT				(56)	(259)				(315)
Liability Insurance				(13)					(13)
Social Services							(135)		(135)
Area Board					89				89
EDS		(7)				(58)			(65)
Leisure Facilities								4	4
Comm Sums								(99)	(99)
TOTAL	(29)	(7)	5	(69)	(380)	(58)	(121)	(192)	(851)

All the above reserves are revenue reserves except for Major Repairs which is a capital reserve.

5. TRADING SERVICES

The Authority operates the following Trading Services, which are defined as activities that are of a commercial nature and which are financed substantially by charges made for the services: -

<u>2003/2004</u>	<u>Gross Expenditure</u> £000's	<u>2004/2005</u> <u>Income</u> £000's	<u>Deficit/ (Surplus)</u> £000's
730 Civic Halls	1,829	(1,103)	726
(713) Markets	1,496	(2,255)	(759)
(944) Property & Estates	1,790	(2,884)	(1,094)
(813) Industrial Units	965	(1,819)	(854)
35 Metro Design	102	(73)	29
59 Engineers	3,742	(3,765)	(23)
154 Building Maintenance	9,087	(9,097)	(10)
(51) Architectural Practice	1,719	(1,825)	(106)
(1) Refuse Collection	2,239	(2,165)	74
(29) Winter Maintenance	154	(160)	(6)
41 Grounds Maintenance	2,737	(2,680)	57
117 Cleaning of Buildings	4,442	(4,277)	165
0 Landscape Architects	162	(175)	(13)
0 Education – Fair Funding	1,398	(1,398)	0
Emergency & Security			
37 Service	1,224	(1,176)	48
(149) Transport Services	3,615	(3,933)	(318)
(1,527) TOTAL	36,701	(38,785)	(2,084)

The majority of the Council's trading services were operated under the Compulsory Competitive Tendering (CCT) legislation and prior to 2001/02 were disclosed within the DSO trading accounts and report. Following the repeal of CCT legislation in the Local Government Act 1999 many of the activities continue to operate under CCT contract terms and conditions, with separate trading accounts being maintained in accordance with BVACOP. Where former CCT contracts have come to an end and have not been replaced by Voluntary Competitive Tendering (VCT) contracts, or other trading arrangements, trading accounts are no longer kept. The costs are reported as part of the costs of service provision under the normal BVACOP analysis. All material trading

accounts are shown above. Both 2003/04 and 2004/05 figures include adjustment for FRS17. Details of individual trading accounts are contained within the detailed outturn report – copies of which are available from the Head of Financial Management at Bury Town Hall (telephone 0161 253 5034).

BUILDING REGULATIONS TRADING ACCOUNT

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

BUILDING REGULATIONS CHARGING ACCOUNT 2004/2005

<u>2003/2004</u>		<u>2004/2005</u>		<u>Total</u>
<u>Total</u>		<u>Chargeable</u>	<u>Non</u>	<u>Building</u>
<u>Building</u>		<u>£000's</u>	<u>Chargeable</u>	<u>Control</u>
<u>Control</u>			<u>£000's</u>	<u>Service</u>
<u>Service</u>				<u>£000's</u>
<u>£000's</u>				
	Expenditure			
242	Employee Expenses	220	114	334
0	Premises	0	2	2
14	Transport	13	4	17
126	Supplies and Services	57	32	89
194	Central & Support Service Charges	185	51	236
576	TOTAL EXPENDITURE	475	203	678
	Income			
(378)	Building Regulation Charges	(476)	0	(476)
(25)	Miscellaneous Income	0	(28)	(28)
(403)	TOTAL INCOME	(476)	(28)	(504)
173	(SURPLUS)/DEFICIT FOR YEAR	(1)	175	174

Under the Building (Local Authority Charges) Regulations 1998, Building Control Authorities are required to ensure that the income received from their charges fully recovers the cost of carrying out their building control functions over a rolling three year accounting period. This information is represented by the figures in the chargeable column of the table. A deficit of £27,452 has been incurred for this 3 year accounting period. The 2003/2004 comparative figure in the above table is for the whole of the Buildings Regulation function, not just the chargeable account. 2003/04 and 2004/05 figures include adjustments for FRS17.

6. INTEREST

The figure shown within the Consolidated Revenue Account includes interest on unpaid debtor accounts, interest on car loans paid by employees and interest earned by investing temporary cash surpluses.

	<u>2003/2004</u> <u>£000's</u>	<u>2004/2005</u> <u>£000's</u>
Interest on Car Loans	148	124
Mortgage Interest repayment – HRA	31	22
Mortgage Interest repayment – HLA	82	48
Investment Interest	1,402	1,248
Unpaid Account Interest	13	0
TOTAL	1,676	1,442

7. PUBLICITY

Under section 5 of the Local Government Act 1986, the Authority is required to set up a separate memorandum account to record expenditure on publicity.

	<u>2003/2004</u> <u>£000's</u>	<u>2004/2005</u> <u>£000's</u>
Staff advertising	826	602
Other advertising	287	343
Publicity	256	459
TOTAL	1,369	1,404

8. MINIMUM REVENUE PROVISION

The Authority is required by statute to set aside a minimum revenue provision (MRP) for the redemption of external debt for the General Fund. The Local Government Act 2003, which came into force from 1 April 2004, allowed the HRA the option to set aside MRP or not. The HRA did not make an MRP for 04/05. The method of calculating the provision is determined by statute and in 2004/2005 the amount set aside was: -

<u>2003/2004</u> <u>£000's</u>	<u>Minimum Revenue Provision</u>	<u>2004/2005</u> <u>£000's</u>
1,842	General Fund	2,371
402	Housing Revenue Account	0
2,244	TOTAL	2,371

The balance is reflected in the Consolidated Revenue Account as the difference between the MRP and the provision for depreciation charged directly to individual services, along with principal actually repaid on external debt. The calculation is shown in the table below:-

<u>2003/2004</u>		<u>2004/2005</u>
<u>£000's</u>	<u>Provision for Repayment of External Loans</u>	<u>£000's</u>
2,244	Minimum Revenue Provision	2,371
368	Other principal repayments	399
(2,707)	Less : Depreciation charged to Consolidated Revenue A/C	(3,536)
(95)	TOTAL	(766)

9. PENSIONS COSTS

The Authority makes payments to the Department for Education and Skills in respect of Teachers' pension costs. In respect of other employees, the Authority paid an employer's contribution to Tameside Metropolitan Borough Council who administer the Greater Manchester Pension Scheme on behalf of the 10 districts which comprise the Greater Manchester area. In both cases the Authority is also responsible for all pension payments relating to added years it has awarded, together with related increases.

The table below shows the costs of these items: -

<u>2003/2004</u>		<u>2004/2005</u>	<u>Proportion of</u>
<u>Total</u>		<u>Total</u>	<u>pay</u>
<u>Cost</u>		<u>Cost</u>	<u>%</u>
<u>£000's</u>		<u>£000's</u>	<u>%</u>
	<u>Teachers</u>		
6,426	Contribution to Department for Education etc.	6,668	13.50
1,256	Added years and pensions increases	1,271	2.57
34	Lump sum payments	7	0.01
7,716		7,946	
	<u>Other employees</u>		
6,466	Contribution to Superannuation Fund	7,433	7.50
1,203	Added years and pensions increases	1,224	1.24
39	Lump sum payments	0	0.00
7,708		8,657	

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

The Authority participates in the Local Government Pension Scheme, administered by Tameside Metropolitan Borough. This is a funded scheme, meaning that the Authority and employees pay contributions into the Greater Manchester Pension Fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Account (CRA) after Net Operating Expenditure. The following transactions have been made in the CRA during the year:

Amount Charged to Consolidated Revenue Account	<u>Year to</u> 31 March 2004 £000's	<u>Year to</u> 31 March 2005 £000's
Net Cost of Services		
Service cost	9,000	11,533
Past service costs	600	1,067
Curtailment and Settlements	400	0
Total Costs of Services (A)	10,000	12,600
Net operating Expenditure		
Interest cost	(15,800)	(15,300)
Expected return on assets in the scheme	14,700	18,500
Total Operating Expenditure (B)	(1,100)	3,200
(A)-(B)	11,100	9,400
Amount to be met from Government Grants and Local Taxation:		
Movement on pensions reserve	4,634	1,967
Actual amount charged against council tax for pensions in the year		
Employers' contributions payable to scheme	6,466	7,433

Note 22 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note.

Note 6 to the Statement of Total Movements in Reserves details the costs that have arisen through the year.

Further information can be found in the Greater Manchester Pension Fund's Annual Report which is available upon request from Tameside Metropolitan Borough Council, Concord Suite, Manchester Road, Droylsden, Tameside, M43 6SF, or at their website www.gmpf.org.uk.

10. FINANCE & OPERATING LEASES

Vehicles, Plant, Furniture and Equipment - the Authority uses vehicles, plant, computer hardware, wheeled bins, leisure and other equipment financed under the terms of an operating lease. The amount charged under these arrangements in 2004/2005 was £1,303,135 (2003/2004 £1,141,116).

Land and Buildings – the authority leases numerous buildings, which have been accounted for as operating leases. The rentals payable in 2004/05 were £562,575

Authority as a Lessor – the authority acts as lessor for a number of buildings within the Borough, which are accounted for as operating leases. The rentals receivable in 2004/05 were £3,871,053.50.

The Authority also holds various assets under the term of a finance lease for the mainframe computer plant. However, in the accounts it has not been accounted for under the finance lease rules as it represents the characteristics of an operating lease. The main lease expired on 31 March 2005 but it has been extended and is due to expire during 2005/06 when the new finance system goes live. The amount charged under these arrangements in 2004/2005 was £305,489 (2003/2004 £299,630).

As explained in the Accounting Policies, the value of items financed by leasing is excluded from the Balance Sheet.

11. LOCAL AUTHORITY (GOODS & SERVICES) ACT 1970

The Council is empowered by this Act to provide goods and services to other public bodies. The Authority provided security, caretaking and cleaning services to Bury College, payroll services to Holy Cross College and grounds maintenance to a number of organisations including the Primary Care Trust and Housing Associations. The income earned from these sources during the year was £284,036 (£180,387 in 2003/2004).

The Council cannot identify accurately the expenditure on services provided under the Local Authority (Goods and Services) Act, 1970 and therefore does not comply fully with the disclosure required under the SORP.

12. MANCHESTER AIRPORT PLC

The table below shows an analysis of the income from Manchester Airport:-

<u>2003/2004</u> <u>£000's</u>	<u>2004/2005</u> <u>£000's</u>
<u>Income</u>	
(396) Rent Income	(394)
(275) Dividend Income	(825)
<u>(671)</u>	<u>(1,219)</u>
<u>Expenditure</u>	
86 Repayment of loans	80
275 Provision for purchase of shares	825
<u>361</u>	<u>905</u>
<u>(310) NET INCOME</u>	<u>(314)</u>

In 2004/05 net income of £314,163 was transferred to the Consolidated Revenue Account and the dividend of £825,000 was transferred to the Airport Share Earmarked Reserve.

13. PAYMENT TO SUPPLIERS

The Authority has adopted a policy of Prompt Payment to Suppliers. This endorses the principle of paying promptly the Authority's suppliers and stipulates that all businesses will normally be paid within **30 days** of the Authority receiving a bona-fide invoice. The policy is also in accord with the Government's Best Value Performance Indicator No. 8 which relates to the percentage of invoices paid by the Authority within 30 days. In 2004/2005 the Council paid **85.71%** of all suppliers within 30 days (2003/2004 87.62%). Compliance with this policy is subject at all times to the proper observance of the Authority's Standing Orders and Financial Regulations.

14. EMPLOYEES IN HIGHER EARNINGS BANDS

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000:-

<u>Salary Range (£)</u>	<u>2003/2004</u>	<u>2004/2005</u>
50,000 to 59,999	19	24
60,000 to 69,999	5	9
70,000 to 79,999	1	4
80,000 to 89,999	2	1
90,000 to 99,999	0	1
TOTAL	27	39

15. MEMBERS ALLOWANCES

The total of allowances paid to Members of the Council during 2004/2005 was £535,620 (£493,281 in 2003/2004).

16. EURO

The Authority incurred no direct expenditure during 2004/05 in preparing for the introduction of the Euro.

17. TRANSACTIONS WITH RELATED PARTIES

This is a disclosure note required by FRS 8, which requires the Council to declare transactions between the Council and related parties. (A related party is where a member of the Council or a Chief Officer is involved in a company or organisation with which the Council undertakes business on normal contractual terms for the supply of services). Central Government has effective control over the general operations of the Council. It is responsible for providing the framework within which the Council operates. It also provides the majority of funding for Council services. Details of transactions with government departments are set out in the Cash Flow Statement.

During 2004/2005 the Council has undertaken the following transactions with related parties:

1 Member of the Council is a Director of a Primary Care Trust. The Council entered into transactions with the concern to the value of £8,467 in 2004/05 (£16,922 during 2003/2004)

1 Member of the Council is a Director of a Day Care Centre. The Council entered into transactions with the concern to the value of £38,304 during 2004/05 (£25,080 during 2003/2004).

There were no other material related party transactions involving Members of the Council. However, several Members are trustees, employees and Council representatives of various charitable and similar voluntary organisations that receive financial and other support from the Council.

18. GENERAL FUND MOVEMENTS

The 2004/2005 deficit on the General Fund (excluding the use of balances and reserves) of **£1.161m** is split as follows: -

	<u>Standards Fund £000's</u>	<u>Schools £000's</u>	<u>General £000's</u>	<u>Total £000's</u>
Balance at 31st March 2004	308	(3,340)	(4,314)	(7,346)
(Surplus)/Deficit for the Year	(575)	(1,507)	3,243	1,161
Balance at 31st March 2005	(267)	(4,847)	(1,071)	(6,185)

The directorate carry-forwards requests together with their impact on the use of general fund balances will be considered by the Executive on 24 August, 2005. These will then be reported back to the Audit Committee on 20 October 2005 when the audited Statement of Accounts is presented for approval.

19. DISCLOSURE OF AUDIT COSTS

In 2004/05 the Authority incurred the following fees relating to external audit and inspection:

	<u>2003/2004 (£000)</u>	<u>2004/2005 (£000)</u>
Fees payable to the Audit Commission with regard to external audit services carried out	224	251
Fees payable to the Audit Commission in respect of statutory inspection	108	64
Fees payable to the Audit Commission for the certification of grant claims and returns	135	117
TOTAL	467	432

20. BURY LEARNING DISABILITY PARTNERSHIP BOARD POOLED FUND MEMORANDUM ACCOUNT

In March 2003, the Council entered into a Section 31 Health Act 1999 Partnership Agreement for the pooling of its learning disability service budgets with the Bury Primary Care Trust. Pooled funds enable health bodies and local authorities to work collaboratively to address specific local health issues. Details of contributions to and from the pooled fund in 2004/05 are shown below. The £825,400 deficit will be met by contributions from Bury MBC (£794,100) and Bury PCT (£31,300). A copy of the Pooled Fund Memorandum of Account can be obtained from the Director of Finance and E-Government, Bury MBC, Town Hall, Knowsley Street, Bury.

	<u>2004/05 Total Fund £000</u>	<u>2004/05 Bury MBC £000</u>
Contributions to the pool	14,658	8,007
Expenditure from the pool	15,483	8,801
(Surplus) / Deficit	825	794

The 2003/04 deficit was £648,000, which was met by contributions from Bury MBC (£463,000) and Bury PCT (£185,000).

21 **BURY LEARNING DISABILITY PARTNERSHIP BOARD**
BURY INTEGRATED COMMUNITY EQUIPMENT SERVICE PARTNERSHIP BOARD
POOLED FUND MEMORANDUM ACCOUNT

In March 2004, the Council entered into a Section 31 Health Act 1999 Partnership Agreement for the pooling of its learning disability service budgets with the Bury Primary Care Trust. Pooled funds enable health bodies and local authorities to work collaboratively to address specific local health issues. Details of contributions to and from the pooled fund in 2004/05 are shown below. No expenditure was incurred in 2003/04. The £100,900 deficit will be met by contributions from Bury MBC and Bury PCT, although the allocation is to be confirmed. A copy of the statutory Pooled Fund Memorandum of Account can be obtained from the Director of Finance and E-Government, Bury MBC, Town Hall, Knowsley Street, Bury.

	<u>2004/05</u> <u>Total Fund</u> <u>£000</u>
Contributions to the pool	514
Expenditure from the pool	615
(Surplus) / Deficit	101

HOUSING REVENUE ACCOUNT

HOUSING REVENUE ACCOUNT

This account relates to the provision, supervision and management of council houses, flats and sheltered accommodation. The requirement to keep such an account separately from the General Fund Revenue Account and the format of it are specified by the Local Government and Housing Act 1989 ('1989 Act').

<u>2003/2004</u> <u>£000's</u>		<u>2004/2005</u> <u>£000's</u>	Note
	<u>INCOME</u>		
	Rents (Gross of Rent Rebates)		1,2,10
20,948	Dwellings	21,080	
204	Other Property	201	
734	Charges for Services and Facilities	735	
10,325	Housing Revenue Account Subsidy	0	9
164	Contributions towards expenditure	143	
<u>32,375</u>	TOTAL INCOME	<u>22,159</u>	
	<u>EXPENDITURE</u>		
5,641	Repairs and Maintenance	6,732	
6,522	Supervision and Management	6,745	
38	Rents, Rates, taxes & other charges	37	
13,212	Rent Rebates	0	
214	Increased Provision for Bad & Doubtful Debts	127	11
0	Transfer of assumed surplus to ODPM	3,351	9
5,845	Cost of capital charge	8,534	5
4,661	Depreciation of fixed assets	4,700	6
18	Debt management costs	6	
<u>36,151</u>	TOTAL EXPENDITURE	<u>30,232</u>	
<u>3,776</u>	NET COST OF SERVICES	<u>8,073</u>	
(4,868)	Adjusting transfer from AMRA	(7,699)	
(44)	Amortised Premiums and Discounts	(44)	
(227)	Investment Income	(242)	
(1,363)	NET OPERATING EXPENDITURE / (INCOME)	88	
0	Revenue Contribution to Capital Exp.	1,257	4
402	HRA Contribution to MRP	0	
(39)	Transfer from Major Repairs Reserve	(29)	3
(88)	Reversal of FRS17 Adjustment	(104)	
(1,088)	(SURPLUS)/DEFICIT FOR THE YEAR	1,212	
<u>(3,824)</u>	(SURPLUS) / DEFICIT B/FWD	<u>(4,912)</u>	
<u>(4,912)</u>	(SURPLUS) / DEFICIT C/FWD	<u>(3,700)</u>	

Copies of the HRA Outturn Report and details of variances are available from the Head of Financial Management at Bury Town Hall during normal office hours or by telephoning 0161-253 5034.

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

In preparing the HRA budget, the Council needs to estimate the total level of income it needs to raise from rents. In doing so it takes account of current rental income, any likely changes in the size and composition of the Housing Stock and the estimated loss of income from unoccupied dwellings.

The numbers of each type of property at 31st March were: -

<u>2004</u>		<u>2005</u>
Flats and Maisonettes		
2,356	1 Bedroom	2,333
871	2 Bedrooms	846
83	3 Bedrooms	76
251	Bedsitters	243
Houses & Bungalows		
812	1 Bedroom	810
2,002	2 Bedrooms	1,930
<u>2,403</u>	3 Bedrooms or more	<u>2,311</u>
<u>8,778</u>	TOTAL	<u>8,549</u>

Sale of Council Houses account for the reduction in the Housing stock during the financial year.

The value of the housing stock was:-

<u>£000's</u>		<u>£000's</u>
Total Balance Sheet value as at 1 st April 2004		
165,515	Dwellings	242,375
<u>1,442</u>	Shops, Offices and Garage Colonies	<u>1,452</u>
166,957	Total Operational Assets	243,827
0	Reclassification	0
5,629	Additions	96
40	Certificated Revaluation – Shops and Offices	(63)
83,536	Housing stock Revaluations	100,115
(4,652)	Depreciation	(4,700)
<u>(7,683)</u>	Sale of Council Houses	<u>(7,549)</u>
<u>243,827</u>	Balance Sheet Value as at 31st March 2005	<u>331,726</u>

2. VACANT POSSESSION

- (i) The vacant possession value of dwellings within the Council's HRA as at 1st April 2004 was £580.500 million representing an increase of 34.5% over the 1st April 2003 figure of £431.660 million. The new value was established as a result of the revaluation of the Housing Stock completed in the year.
- (ii) The vacant possession value and the balance sheet value of dwellings within the HRA show the economic cost to the Government of providing council housing at less than open market rents.

3. MAJOR REPAIRS RESERVE (MRR)

The Major Repairs Allowance (MRA), paid as part of the HRA subsidy, provides authorities with the resources needed to maintain the value of their housing stock over time. Authorities are required to set up a Major Repairs Reserve and to transfer into it a sum not less than the MRA. Increased expenditure within HRA in the past few years has reduced the balance for 2004/05 to nil.

<u>£000'S</u> <u>2003/04</u>	<u>£000's</u> <u>2004/05</u>
(933) Balance as at 1st April 2004	(135)
(4,661) Transferred to MRR during the year	(4,700)
39 Transferred from MRR to HRA during the year	29
5,420 Debits in respect of capital expenditure within HRA	4,806
<u>(135) Balance as at 31st March 2005</u>	<u>0</u>

4. CAPITAL EXPENDITURE WITHIN HRA

The 1989 Act gives local authorities the discretion to finance expenditure for HRA capital purposes from the HRA.

<u>£000'S</u> <u>2003/04</u>	<u>£000's</u> <u>2004/05</u>
5,639 Capital Expenditure within the HRA	6,100
155 Capital creditors and unfinanced expenditure b/f from 2002/2003	260
(260) Capital creditors and unfinanced expenditure c/f to 2004/2005	(175)
<u>5,534 Total Capital expenditure within the HRA to be financed</u>	<u>6,185</u>
Financed By:	
4 Housing Balance Sheet Provision	15
23 Usable Capital Receipts	26
87 SRB Grant	81
0 Revenue Contributions	1,257
5,420 Major Repairs Reserve	4,806
<u>5,534 Total</u>	<u>6,185</u>

Total capital receipts from the disposal of houses during the year was **£7.417 million** which represents a slight decrease of 3.5% over the 2003/2004 figure of £7.683million.

5. COST OF CAPITAL CHARGE

This is calculated as 3.5% of the value of HRA operational assets taking account of a 2.5% reduction in the rate used in 2003/04 of 6%. The charge is to reflect the cost of public sector capital tied up in council housing and other HRA assets, but does not impact on the amount of income to be generated to achieve a balanced budget. There is an adjustment below the Net Cost of Services which ensures that the HRA continues to bear its share of the Authority's debt financing costs.

6. DEPRECIATION

Authorities are required to charge depreciation on all HRA properties calculated in accordance with proper practices, including non-dwelling properties. In 2004/05, the total charge for depreciation for council houses was £4,671,252 (£4,622,078 in 2003/04) and for other property was £29,045 (£29,638 in 2003/04). Depreciation charge for equipment was transferred to general fund in 2004/05. As only limited information was available on the values of individual properties or type, the Major Repair Allowance was used as a proxy for depreciation of the council houses stock.

7. IMPAIRMENT CHARGES

No impairment charges have been made in respect of land, houses and other property within the HRA for the financial year.

8. DEFERRED CHARGES

No deferred charges are attributable to the HRA.

9. HRA SUBSIDY

Housing Revenue Account subsidy is central Government's contribution towards the cost of council housing in Bury. It is calculated as the amount required to balance a notional Housing Revenue Account, which is derived by the Government, and is based on its estimates of the income and expenditure which should be earned and spent by the Authority on council housing.

Breakdown of Amount of HRA Subsidy Payable to the Authority for 2004/2005

<u>£000's</u> <u>2003/04</u>		<u>£000's</u>	<u>£000's</u> <u>2004/05</u>
3,066	Management Allowance	3,129	
5,787	Maintenance Allowance	6,483	
4,622	Major Repairs Allowance	4,672	
<u>13,475</u>			<u>14,284</u>
2,249	Charges for Capital	1,747	
0	Admissible Allowance	106	
13,355	Rent Rebates	0	
0	Other items of reckonable expenditure	0	
			<u>1,853</u>
(18,730)	Guideline Rent Income	(19,472)	
<u>(39)</u>	Interest on Receipts	<u>(28)</u>	
			<u>(19,500)</u>
10,310	Subsidy Receivable		(3,363)
15	Prior Year Adjustments		12
<u>10,325</u>	Total Subsidy Receivable / (Payable)		<u>(3,351)</u>

10. RENT ARREARS

The rent arrears as at 1 April, 2004 totalled £1,527,750 and at 31 March, 2005 they totalled £1,498,161. 46.1% of the arrears at 31 March 2005 related to current tenants (48.9% at 31st March 2004) and 53.9% related to former tenants (51.1% at 31st March 2004).

11. BAD DEBT PROVISION

<u>£000's</u> <u>2003/04</u>		<u>£000's</u>	<u>£000's</u>
1,366	Bad debt provision as at 31st March 2004		1,380
214	Charged to HRA 2004/2005	127	
(216)	Written off	(187)	
16	Reinstated previously written off amount	44	
14	Net Increase 2004/2005		(16)
1,380	Bad debt provision as at 31st March 2005		1,364

COLLECTION FUND

THE COLLECTION FUND

The account is kept separately and shows the income collected from Council Tax, Community Charge and National Non-Domestic Rates (NNDR) payers. The account also shows the amount that the Authority needs from the fund to pay for its services along with precepts made by other authorities and Bury's contribution to the NNDR Pool.

<u>INCOME AND EXPENDITURE ACCOUNT</u>			
<u>2003/2004</u>		<u>2004/2005</u>	<u>Note</u>
<u>£000's</u>		<u>£000's</u>	
	<u>INCOME</u>		
(55,116)	Income from Council Tax Payers	(56,022)	1
1	Community Charge Payers	1	
	Transfers from General Fund		
(8,228)	Council Tax Benefit	(9,074)	
0	Other Income	(1)	
<u>(31,134)</u>	Income from NNDR payers	<u>(31,310)</u>	2
<u>(94,477)</u>	TOTAL INCOME	<u>(96,406)</u>	
	<u>EXPENDITURE</u>		
62,580	Precepts on the Collection Fund	64,764	3
	NNDR		
30,538	Payments to National Pool	30,713	
233	Cost of Collection	235	
310	Interest Payable net of refunds	144	
	Bad and Doubtful Debts		
432	Increased/(Reduced) Provision	972	
	Transfer of Previous Year's Estimated Surplus		
345	To General Fund	353	
40	To Major Preceptors	49	
<u>94,478</u>	TOTAL EXPENDITURE	<u>97,230</u>	
1	FUND DEFICIT/ (SURPLUS) FOR THE YEAR	824	
<u>(923)</u>	BALANCE BROUGHT FORWARD	<u>(922)</u>	
<u>(922)</u>	BALANCE CARRIED FORWARD	<u>(98)</u>	

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

The Council Tax was introduced on 1st April 1993 to replace the Community Charge and is a tax on property values. Dwellings were valued at their open market values as at 31st March 1991 and have been placed in eight bands according to their value. The Council Tax payable per band will be a specified ratio of the middle band, Band D. The table below shows the calculation of the Band D equivalent number of dwellings per band:-

<u>Band</u>	<u>Valuation</u>	<u>Total Number of Dwellings</u>	<u>Specified Ratio</u>	<u>Band D Equivalent</u>
A	Less than £40,000	23,802	6/9	15,865
B	£40,000 to £52,000	14,901	7/9	11,590
C	£52,000 to £68,000	14,803	8/9	13,158
D	£68,000 to £88,000	8,021	1	8,021
E	£88,000 to £120,000	4,883	11/9	5,968
F	£120,000 to £160,000	1,623	13/9	2,345
G	£160,000 to £320,000	1,187	15/9	1,978
H	More than £320,000	121	18/9	241
		69,341		59,166
	Less allowance for losses on collection			(1,183)
	COUNCIL TAX BASE 2004/2005			57,983

- i) The actual number of properties was 76,352 (75,777 in 2003/04) but after adjusting for single person discounts, empty properties etc, the notional number of dwellings is 69,341 (69,087 in 2003/04).
- ii) The Band D Council Tax levied for the year was **£1,116.96** (£1083.59 in 2003/2004).

2. NATIONAL NON-DOMESTIC RATES (NNDR)

The Authority collects NNDR in respect of business premises by applying a rate poundage set by central Government to the rateable value of the premises. The rate set for 2004/2005 was **45.6p** in the pound (44.4p in 2003/2004) and at 31st March 2004 the estimated non-domestic rateable value of the Borough was **£85.777 million** (£86.846 million at 31st March 2004). The amount collected, less certain allowances, is paid into a national pool which is then redistributed to councils by the Government at an amount per head of adult population.

3. PRECEPTS

The precepts on the Collection Fund were: -

	<u>2003/2004 £000's</u>	<u>2004/2005 £000's</u>
Bury MBC	54,979	56,578
Greater Manchester Police Authority	5,293	5,713
Greater Manchester Fire & Civil Defence Authority	2,308	2,473
TOTAL	62,580	64,764

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET AT 31ST MARCH 2005

<u>2004</u>			<u>2005</u>			
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>Note</u>
		FIXED ASSETS				
0		Intangible Fixed Assets		2,036		2
		Tangible Fixed Assets				
		Operational Assets:				
243,827		Council Dwellings		331,726		
205,349		Other Land & Buildings		203,052		
803		Vehicles & Plant		1,439		
22,674		Infrastructure Assets		25,430		
370		Community Assets		370		
30,589		Non-Operational Assets:				
		Investment Properties		30,452		
		Assets under construction		0		
		Surplus assets held for disposal		437		
<u>503,612</u>	<u>503,612</u>	TOTAL FIXED ASSETS		<u>594,942</u>	<u>594,942</u>	1
		DEFERRED CHARGES				
32	32	Deferred Charges		28	28	3
		LONG TERM INVESTMENTS				
10,214		Manchester Airport PLC		10,214		
1	<u>10,215</u>	Other		<u>1</u>	<u>10,215</u>	7
		LONG TERM DEBTORS				
11,980		Loan Accounts		11,321		8
4	<u>11,984</u>	Debt Managed on Behalf of Other Local Authorities		<u>3</u>	<u>11,324</u>	
		CURRENT ASSETS				
713		Stocks & Work in Progress	1,394			
23,900		Short Term Investments	5,650			
25,335		Sundry Debtors & Advance Payments	29,247			8
806	<u>50,754</u>	Cash in Hand	<u>1,692</u>	<u>37,983</u>		
		LESS : CURRENT LIABILITIES				
(215)		Short Term Loans Outstanding	(507)			9
(140)		Deposits & Clients' Funds	(192)			
(31,959)		Sundry Creditors & Advance Receipts	(25,480)			
(6,015)	<u>(38,329)</u>	Cash Overdrawn	<u>(14,762)</u>	<u>(40,941)</u>		
	<u>12,425</u>	NET CURRENT ASSETS			<u>(2,958)</u>	
	<u>538,268</u>	TOTAL ASSETS LESS CURRENT LIABILITIES			<u>613,551</u>	
		LESS: LONG TERM LIABILITIES				
		Loans Outstanding				
77,909		External	77,402			9
10,333		Deferred Liabilities	9,938			10
27,634		Pension Liability	83,900			22
428		Deferred Capital Receipts	311			11
6,812	<u>(123,116)</u>	Provisions	9,892		<u>(181,443)</u>	12
	<u>415,152</u>	TOTAL NET ASSETS			<u>432,108</u>	

Consolidated Balance Sheet continued on next page.

CONSOLIDATED BALANCE SHEET AT 31ST MARCH 2005

<u>2004</u>			<u>2005</u>		
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>	<u>Note</u>
		FINANCED BY :			
		RESERVES AND OTHER BALANCES			
7,772		Earmarked Reserves	7,891		13
300,061		Fixed Asset Restatement Account	366,263		14
103,671		Capital Financing Account	118,041		15
(27,634)		Pension Reserve	(83,900)		22
4,530		Capital Receipts Unapplied	1,463		17
2,013		Capital Grants Unapplied	1,208		18
		Balances			
7,346		General Fund	6,185		16
4,912		Housing Revenue Account	3,700		
289		Competitive Services	298		13
135		Major Repairs Reserve	0		13
922		Collection Fund Balance	98		
11,135		Other Balances	10,861		
	<u>415,152</u>	TOTAL RESERVES AND BALANCES		<u>432,108</u>	

M. Owen

M. OWEN C.P.F.A.
Director of Finance & E-Government

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. FIXED ASSETS

Movements in respect of fixed assets were as follows: -

	<u>Council Dwellings</u>	<u>Other Land & Buildings</u>	<u>Vehicles, Plant & Equip</u>	<u>Infra-structure Assets</u>	<u>Communi-ty Assets</u>	<u>Other Assets</u>	<u>Intangib-le Assets</u>	<u>Total</u>
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Gross Book Value at 1st April 2004	262,731	216,677	1,164	30,261	370	30,589	0	541,792
Reclassification								
Additions	6,199	15,502	2,011	6,548	488	595	2,036	33,379
Disposals	(7,549)	(1,100)	0	0	0	0	0	(8,649)
Revaluations	93,949	(14,122)	(1,323)	(2,885)	(488)	(295)	0	74,836
Gross Book Value at 31 March 2005	355,330	216,957	1,852	33,924	370	30,889	2,036	641,358
Accumulated depreciation at 1 April 2004	(18,904)	(11,328)	(361)	(7,587)	0	0	0	(38,180)
Depreciation in year	(4,700)	(2,577)	(52)	(907)	0	0	0	(8,236)
Accumulated depreciation at 31 March 2005	(23,604)	(13,905)	(413)	(8,494)	0	0	0	(46,416)
Net Book Value at 31st March 2005	331,726	203,052	1,439	25,430	370	30,889	2,036	594,942
Net Book Value at 1st April 2004	243,827	205,349	803	22,674	370	30,589	0	503,612

The Authority has one foundation school (Peel Brow Primary School) which is not included within the consolidated balance sheet as the assets are not owned by the Authority. Peel Brow is currently valued at £2.24million.

More information on the basis of asset valuation and the accounting treatment for fixed assets may be found in the statement of accounting policies.

Valuations of Fixed Assets carried at Current Value

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations are carried out by the internal Principal Valuation Officer, Mr. A. Darbyshire (MRICS) and the Property Asset Officer, Mrs B.M.Beech (MRICS). The basis for the valuation is set out in the statement of accounting policies.

	<u>Council Dwellings</u>	<u>Other Land & Buildings</u>	<u>Vehicles, Plant & Eqpt</u>	<u>Infra-structure Assets</u>	<u>Communi-ty Assets</u>	<u>Other Assets</u>	<u>Intangi-ble Assets</u>	<u>Total</u>
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Valued at Historic Cost :			546	22,932	50			23,528
Valued at Current Value in :								
2004/2005	87,899	(2,298)	636	2,756	0	301	2,036	91,330
2003/2004	76,870	1,392	108	(258)	0	3,911		82,023
2002/2003	396	55,572				2,678		58,646
2001/2002	166,561	98,124	61		220	18,795		283,761
Prior to 2000/2001		50,262	88		100	5,204		55,654
Total Fixed Assets	331,726	203,052	1,439	25,430	370	30,889	2,036	594,942

During 2004/05 the Authority's housing stock was revalued to £342,490,000. Magistrates Court NBV was adjusted during the year to reflect the Authority's interest of only 20% in the asset.

In accordance with FRS 15 "Tangible Fixed Assets", the Council has charged depreciation on its assets to the consolidated revenue account regardless of the maintenance regime on the asset.

2 INTANGIBLE FIXED ASSETS

Movements in respect of intangible fixed assets were as follows: -

	<u>Purchased software licences</u>	<u>Total</u>
	<u>£000's</u>	<u>£000's</u>
Original cost		
Amortisation to 1 April 2004		
Balance at 31 March 2005		
Expenditure in year	2,036	2,036
Written off to revenue in year		
Balance at 31st March 2005	2,036	2,036

Software licences have been purchased in the year for the new Financial Control System, the first phase was implemented during 2004/2005 at a cost of £2.036m. The total cost will be written off after the completion of the software purchase over the 10 years representing the current estimate for its useful life.

3. DEFERRED CHARGES

The Balance Sheet reflects the writing off to the Capital Financing Reserve of the value of Deferred Charges. Deferred Charges represent expenditure on improvement grants, other private sector housing and on Aided Schools, where no tangible asset is in existence.

	<u>Improvement Grants £000's</u>	<u>Other £000's</u>	<u>Total £000's</u>
Balance at 1st April 2004	0	32	32
Expenditure in year	3,180	1,500	4,680
Written off to Consolidated Revenue A/C	(3,180)	(1,504)	(4,684)
Balance at 31st March 2005	0	28	28

4. CAPITAL EXPENDITURE

Capital expenditure in the year was as follows:-

<u>2003/2004</u>		<u>2004/2005</u>	
<u>£000's</u>	<u>Expenditure:</u>	<u>£000's</u>	<u>£000's</u>
	901 Un-financed Capital Expenditure b/fwd		1,538
21,622	Fixed assets	29,260	
5,725	Deferred Charges	6,716	
648	Vehicle & Plant	2,083	
160	Other	0	38,059
29,056	Total		39,597
<u>£000's</u>	<u>Financed by:</u>	<u>£000's</u>	<u>£000's</u>
8,827	Loan	12,661	
3,368	Capital Receipts	6,660	
7,253	Grants & Contributions	10,367	
648	Leasing	0	
1,441	Revenue	2,202	
0	Provisions	15	
561	Reserves	471	
5,420	Major repairs allowance	4,806	<u>37,182</u>
	1,538 Capital Expenditure c/fwd Un-financed		<u>2,415</u>
29,056			39,597

The un-financed expenditure represents expenditure for which matched funding sources were not received by 31st March of each year, and will be financed on receipt of the funding. This occurs because capital expenditure is accounted for on a cash basis and not an accruals basis. At 31st March 2005 the Authority had authorised capital expenditure of **£30.127million** for 2005/2006 and had also identified a capital investment requirement of **£70.944million** for the following two years under the approved Capital Programme. Capital commitments as at 31st March 2005 totalled £18.598 million. The actual level of expenditure on uncommitted schemes in future years will depend upon the

availability of capital financing resources. Copies of the Capital Programme may be obtained from the Head of Financial Management during normal office hours, or by telephoning 0161-253 5034.

The Council has entered into a £1.2m, 7 year partnership deal with Alliance Leisure Services effective from 2003/2004. This has funded the building and equipping of a new gym and creche at Ramsbottom Pool. It has also funded the relocation and re-equipping of the gym within Castle Leisure Centre along with the provision of 3 new aerobic studios.

5. STATEMENT OF PHYSICAL ASSETS

The Authority owned the following assets (excluding Council dwellings, see Housing Revenue Account section) at 31st March:-

<u>SERVICE / ASSET</u>	<u>2004</u>	<u>2005</u>
<u>Education</u>		
Nursery Schools	1	1
Primary Schools	63	63
Secondary Schools	14	14
Special Education Establishments	4	4
<u>Highways & Transportation</u>		
Roads (km):		
Principal	55	55
Non Principal, Classified	70	70
Urban, Unclassified	525	535
Car Parks	65	66
<u>Leisure Facilities</u>		
Parks & Open spaces	837	837
Civic Halls	4	4
Sports Centres (with pool)	3	3
Sports Centre (no pool)	1	1
<u>Office Accommodation</u>		
Administrative Buildings	6	6
<u>Arts, Libraries, Lifelong Learning</u>		
Art Gallery / Museum	1	1
Adult Education Centres	5	4
Libraries	9	7
Library / Adult centre	0	1
Library / Play Away Club	0	1
Library / Adult Education Centre / Youth Centre	0	1
Youth Centres	7	7
<u>Property Services</u>		
Dwellings	4	4
Small Lettings	1,175	1,175
Commercial Lettings	378	378
Farms, Grazing	24	24
Poster Sites	22	22
Market Shops & Stalls	525	525
Industrial Factory Units	204	204
Magistrates Courts	1	1
<u>Social Services</u>		
Children & Family Centres	2	2
Resource Centres	1	1
Elderly Persons Homes	9	7
Homes for Adults with Learning Disabilities	4	3
Learning Disability Day Centres	3	3

Day Care Centres	3	3
Admin Buildings	5	7
Non Operational	3	3
<u>Other Services</u>		
Cemeteries	35	35
Public Conveniences	9	6

6 **FINANCE LEASES**

Authority as lessee - the Authority is committed to making payments of £1,378,007 under operating leases in 2004/2005 for Vehicles, Plant and Equipment and £2,613,925 for land and Buildings. comprising the following elements:

	Land and Buildings	Vehicles, Plant and Equipment
	£	£
Leases expiring in 2005/2006	0	208,341
Leases expiring between 2006/2007 and 2010/2011	1,124,250	1,169,666
Leases expiring after 2010/2011	1,489,675	0
TOTAL	<u>2,613,925</u>	<u>1,378,007</u>

In accordance with SSAP21, the estimate of the outstanding undischarged obligations in respect of operating leases is disclosed in the illustration on the basis of an analysis of the commitment that the authority has to make payments in the succeeding financial year, categorised according to the eventual year of expiry of the leases under which the payments are to be made.

Authority as Lessor – with regards to the authority's activity as lessor, the gross value of assets held for use in operating leases was £40,838,998.00. The assets have been valued at different stages over the last 5 years in accordance with FRS15 and are subject to depreciation ranging between 20-50% at 31 March 2005.

As explained in the Accounting Policies, the value of items financed by leasing is excluded from the Balance Sheet.

7 **INVESTMENTS**

Investments at 31st March: consisted of:-	<u>2004</u> <u>£000's</u>	<u>2005</u> <u>£000's</u>
Manchester Airport PLC	10,214	10,214
Modesole Ltd	1	1
TOTAL	<u>10,215</u>	<u>10,215</u>

Manchester Airport plc - Bury, in common with all Greater Manchester Districts, other than Manchester City Council which holds 55%, has a 5% shareholding in Manchester Airport plc. The Company's most recent accounts for the year ending 31st March 2004 showed a profit before tax in 2003/04 of £50.6m compared to a profit of £11.2m for 2002/03. For 2003/04 profit after tax was £35.4m and in 2002/03 the restated profit after

tax was £3.9m. Net assets amounted to £885.7m at the 31st March 2004 (£610m restated at 31st March 2003). Further information can be obtained from the Director of Finance, Manchester Airport (Tel. 0161-489-3000).

Modesole Ltd - Modesole Ltd, (formerly GM Property Trust) is the holding company for the ten Greater Manchester districts interest in the Midland Hotel & Conference Centre Ltd and G-Mex Ltd. (formerly Central Station Properties Ltd). Modesole Ltd is 100% owned by the ten districts. Stockport's shareholding in Modesole Ltd is 673 £1 shares, which represent 6.7% of the company and its liability is limited to the extent of this shareholding. Shares were distributed to the districts pro-rata to the population of each at the date of transfer from the Greater Manchester County Council (GMC) on 1st April 1986. These mechanisms arise from the GMC initiative to redevelop the area of land around the G-Mex site, which the ten districts inherited in April 1986 on the abolition of the GMC. G-Mex Ltd is 52% owned by Modesole Ltd.

On the 6 April 2005, each of the nine Greater Manchester districts that have a shareholding in Modesole received an offer from Manchester City Council to acquire these shares. At the time of finalising the accounts these negotiations were still ongoing. In Modesole's accounting year ended 30th September 2004, the pre-audit accounts show the company achieved a profit on ordinary activities after tax of £6.854m (previous year profit of £1.549m). The company had net assets at 30th September 2004 of £4.155m (£1.861m at 30th September 2003). Further information and details of the financial statements of Modesole Ltd can be obtained from the Company Secretary: W J Lawley, PO Box 15, Town Hall, Rochdale. OL16 1AB.

8. DEBTORS & LOAN ACCOUNTS

Long term debtors:	<u>2004</u>	<u>2005</u>
	<u>£000's</u>	<u>£000's</u>
Car loans (employees)	1,522	1,230
Airport Terminal 1	9,078	8,875
Bury Metro Arts Association Ltd	32	32
Bury Music Centre	6	4
PWLB Premiums	170	149
Housing Loans	1,172	1,031
TOTAL	11,980	11,321
Short term debtors:		
General Fund:	22,912	27,163
Less provision for uncollectable sums	(2,701)	(2,656)
Advance receipts	2,305	2,669
	22,516	27,176
Collection Fund:		
Council tax	3,502	3,743
Community charges	433	432
Business rates	1,012	1,345
Less provision for uncollectable sums	(2,128)	(2,718)
	2,819	2,802
TOTAL	25,335	29,978

9. LOANS OUTSTANDING, LONG & SHORT TERM

	<u>2003/2004</u> <u>£000's</u>	<u>2004/2005</u> <u>£000's</u>
Long term loans:		
PWLB loans:		
Bury	47,309	39,309
Airport	9,811	9,597
Market loans	21,000	29,000
Local bonds	4	3
TOTAL	<u>78,124</u>	<u>77,909</u>
Analysed by maturity period:-		
Short Term Loans Outstanding		
Within 1 year	<u>215</u>	<u>507</u>
Long Term Loans Outstanding		
1/2 years	507	2,260
2/3 years	2,260	287
3/4 years	287	6,316
4/5 years	6,316	348
5/6 years	348	2,234
6/10 years	11,799	4,446
10/15 years	5,637	2,758
15+ years	<u>50,755</u>	<u>58,753</u>
TOTAL	<u>78,124</u>	<u>77,909</u>

The PWLB debt at 31st March 2004 includes **£9.597 million** in respect of Manchester Airport, being Bury's share of the debt transferred from Manchester City Council to each of the other Greater Manchester districts.

10. DEFERRED LIABILITIES

	<u>2003/2004</u> <u>£000's</u>	<u>2004/2005</u> <u>£000's</u>
Debt from ex Greater Manchester County	9,430	9,169
Ex Probation Service	32	29
From Lancashire County Council	871	740
TOTAL	<u>10,333</u>	<u>9,938</u>

The debt outstanding to other authorities is in respect of assets and responsibilities transferred at Local Government reorganisation in 1974 and 1986. Local Authorities are now responsible for Probation Service Debt; the Capital Financing costs of pre 1990 debt are recovered by Government Grant.

11. DEFERRED CAPITAL RECEIPTS

The figures shown represent receipts due from the sale of council houses and other dwellings where the Council has entered into a mortgage agreement and the receipt will therefore be realised over a number of years.

12. PROVISIONS

The insurance provisions are used to provide cover against specific risks in order to reduce the level of external insurance premiums, whilst maintaining adequate cover. The main Education provision is for schools improvements. The main Development Services provision is the Heywood Link commuted sum which is payable to the East Lancashire Railway Trust. There are also provisions relating to the agency agreement that the Council had with United Utilities and potential legal costs in respect of a footpath dispute.

	<u>31st March</u> <u>2004</u> <u>£000's</u>	<u>Income</u> <u>£000's</u>	<u>Expenditure</u> <u>£000's</u>	<u>31st March</u> <u>2005</u> <u>£000's</u>
Liability insurance	(5,589)	(10,990)	8,317	(8,262)
Property insurance	(201)	(174)	57	(318)
Education	(449)	(228)	48	(629)
Development Services	(280)	(8)	16	(272)
Other	(293)	(661)	543	(411)
TOTALS	(6,812)	(12,061)	8,981	(9,892)

13. RESERVES

The reserves are set aside for the purposes indicated in their title, with contributions to and calls upon being fixed at levels which optimise the Authority's financial position.

	<u>31st March</u> <u>2004</u> <u>£000's</u>	<u>31st March</u> <u>2005</u> <u>£000's</u>
Airport Shares	423	884
Arts Reserve	12	16
Best Value Reserve	132	138
Education Fire	200	197
Energy Conservation	188	186
Leisure	60	67
Social Services	402	268
Computer Reserve	3,560	3,523
Capital Reserve	1,584	1,584
Area Board Reserve	210	118
Outwood Viaduct	35	40
School Catering Reserve	120	101
PWLB Discount	379	329
EDS	467	440
	7,772	7,891
Competitive Services	93	25
Commuted Sums	196	273
	289	298
Major Repairs Reserve	135	0
TOTALS	8,196	8,189

The reserves are held for the following purpose:

Airport Share Reserve

This reserve was funded initially from dividends from Manchester Airport and is available for General Use; though to date has been utilised to fund leisure investment within the Borough

Arts Reserve

This reserve funds any opportunities to purchase pictures for the art gallery.

Best Value Reserve

The reserve is to support the delivery of the Best Value Review Programme within the Council.

Education Fire Reserve

The Council is required to fund the initial £100,000 of any Education Fire Insurance Claim. This reserve thereby provides for this risk corporately.

Energy Conservation Reserve

The Energy Conservation Reserve operates on a payback process where initial investment in energy conservation is funded from the reserve, while contributions are made to the reserve by services over an agreed pay back period.

Leisure Reserve

The Leisure Reserve is for the general development of leisure facilities.

Social Services Reserves

The Social Services Reserve comprises individual reserves for the Area Child Protection Committee, Learning Disability, a Primary Care Group Commissioning post, Inwood House, and mental health and transport refunds.

Computer Reserve

The Computer Reserve is to fund future Information and Communication Technology (ICT) investment within the Borough.

Capital Reserve

The Capital Reserve is to fund future capital investment within the Borough in accordance with the Council's Capital Strategy.

Area Board Reserve

This reserve is to support the work of the Council's six Area Boards and includes carryovers of the Board's Kickstart Grants.

Outwood Viaduct Reserve

This reserve is for the future maintenance and upgrade of Outwood viaduct.

School Catering Reserve

This reserve is to finance investment in school kitchens and dining facilities.

PWLB Discount

This reserve relates to sums arising from the premature repayment of PWLB loans.

EDS Reserve

This reserve comprises several individual reserves for Planning and Highways functions.

Competitive Services Reserve

This reserve is the remainder of the DSO Reserve that the Council was required to hold under CCT legislation. It will disappear once all the reserve's commitments are incurred.

Commuted Sums

This reserve represents money received as part of Section 106 agreements from Housing and other developers. The reserve is earmarked and is not available for general use.

Major Repairs Reserve

This reserve provides the authority with the resources needed to maintain the value of housing stock (see HRA Note 3, page 51 for detail of movements during 2004/05).

Other Balances

Other balances used to finance our assets include our 5% shareholding in Manchester Airport (£10.214m) and monies received from the government in connection with the Local Public Service Agreement (£467,000).

14. FIXED ASSET RESTATEMENT ACCOUNT

The system of capital accounting requires the establishment of a Fixed Asset Restatement Account. The account will be written down by the net book value of assets as they are disposed of, and debited or credited with the deficits or surpluses arising on future revaluations. The balance on this account does not represent cash and is not available to spend.

<u>2003/2004</u> <u>Total</u> <u>£000's</u>		<u>2004/2005</u> <u>Total</u> <u>£000's</u>
232,372	Balance at 1st April 2004	300,061
(9,311)	Disposal of fixed assets	(8,649)
	Disposal of investment in Ringway Developments plc	
77,932	Restatement of Value	74,836
(932)	Other	15
<u>300,061</u>	Balance at 31st March 2005	<u>366,263</u>

15. CAPITAL FINANCING ACCOUNT

The Capital Financing Account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans, and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and the amount required to be charged to revenue to repay the principal element of external loans. The balance on this account does not represent cash and is not available to spend.

<u>2003/2004</u> <u>£000's</u>		<u>2004/2005</u> <u>£000's</u>
88,345	Balance at 1st April 2004	103,671
5,762	Capital Receipts Set Aside in Year	
<u>94,107</u>		
	2004/2005 Capital Financing:	
3,368	Capital Receipts	6,660
7,254	Grants & Contributions	8,268
1,441	Revenue	2,202
5,420	Major repairs allowance	4,806

	HRA	1,258
565	Reserves	471
	Use of provisions	15
	Other contributions	840
(4,661)	Provision for Major Repairs	(4,700)
(95)	Provision for debt repayment (net of depreciation)	(766)
	Housing Corp Grant used in debt redemption	0
2002	Magistrates Court debt redemption	0
(5,730)	Appropriation from General Fund – writing down of in year deferred charges	(4,684)
103,671	Balance at 31st March 2005	118,041

16. THE GENERAL FUND

This Fund represents the balance of the revenue account surplus of **£6.185m** (including schools) as at 31st March 2005, although this amount is not wholly available to be spent at the Council's discretion.

	<u>£000's</u>
General Fund Balance 31st March 2005	6,185
Contribution from 2005/06 Budget	1,260
Less amount available to schools	(5,114)
Less minimum to be retained	<u>(2,849)</u>
Available Balance 1st April 2005	<u>(518)</u>

It is the view of the Director of Finance and E-Government that prudence dictates a minimum balance of **£2.849m** is retained in the Fund to meet unforeseen eventualities, and the Revenue Budget for 2005/2006 reflects this.

The Authority operates a scheme of Local Management in Schools that has been approved by the Secretary of State for Education and Skills. This allows schools in Bury to carry forward any over or underspendings to the next financial year. In 2004/2005 an under spending of **£5.114m** was contributed to the General Fund by schools and is carried forward to 2005/2006.

The Authority also operates a scheme of delegated financial management whereby departments are given cash ceilings against which their financial performance is measured. **They may be allowed to carry forward underspendings subject to the overall financial position of the Council, and they must carry forward overspendings. As stated earlier, the directorate carry-forwards requests are included in the revenue outturn report and will be considered, together with their impact on the use of general fund balances, by the Executive on 24 August, 2005. This will of course impact on the available General Fund balance at 1st April 2005. These will then be reported back to the Audit Committee on 20 October 2005 when the audited Statement of Accounts is presented for approval.**

17. CAPITAL RECEIPTS UNAPPLIED

	<u>Housing</u> <u>£000's</u>	<u>Other</u> <u>£000's</u>	<u>Total</u> <u>£000's</u>
Available 31st March 2004	2,928	1,602	4,530
Received in the year	7,534	1,512	9,046
Pooling of Housing receipts in the year	(5,453)	0	(5,453)
Applied in the year	(4,906)	(1,754)	(6,660)
Available 31st March 2005	103	1,360	1,463

The Local Government and Housing Act 1989 dictates that the Authority must set aside a proportion of capital receipts to redeem debt. Local Government Act 2003 amended by the Local Authorities (Capital Finance and Accounting) Amendment Regulations 2004 has replaced the set-aside of capital receipts with the pooling regime. This means that the pooled amounts are paid out by Local Authorities in the year towards the redistribution process. The table shows the balance available to meet capital expenditure for committed, on-going and new capital schemes in 2005/06 after pooled payments made in the year.

18. CAPITAL GRANTS UNAPPLIED

	<u>Environment</u> <u>Services</u> <u>£000's</u>	<u>Highways</u> <u>£000's</u>	<u>Other</u> <u>£000's</u>	<u>Total</u> <u>£000's</u>
Available 31st March 2004	76	329	1,608	2,013
Received in the year	370	1,306	5,787	7,463
Applied in the year	(340)	(1,627)	(6,301)	(8,268)
Available 31st March 2005	106	8	1,094	1,208

This represents amounts received from Government or other third parties for capital purposes that have not yet been applied to finance capital expenditure. The table shows only those services where a proportion of the capital grant has not been applied. See Capital Financing Reserve for full details of capital grants and contributions applied. The SoRP requires a government grant deferred account which is to be generated in 2005/06.

19. CONTINGENT LIABILITIES

Municipal Mutual Insurance Ltd

On 30th September 1992 the Authority's then insurers, MMI Ltd., announced that they were no longer accepting new business. The Authority has a number of outstanding claims with MMI totalling **£21,223** at 31st March 2005.

A "Scheme of Arrangement" has been put in place to facilitate an orderly settlement of the sums due.

If MMI are not able to meet their liabilities, and the Scheme is triggered, then the Authority will be required to repay **£1,821,853** in respect of claims previously settled. The Balance

Sheet makes no provision for this. There is no indication that MMI won't be able to meet claims.

Manchester Airport PLC

The Balance Sheet items, Investments and Long Term Debtors, refer to debt outstanding held by the Authority in respect of Manchester Airport. The Airport has agreed to reimburse this Authority for all costs due on these loans which have maturity dates up to 2027. No provision has been made for any potential loss from this arrangement.

Modesole Ltd.

As a result of the Council receiving a distribution from the proceeds of Modesoles' sale of its shares in the Midland Hotel & Conference Centre, a liability may arise, the extent of which can not yet be determined, to repay its share of a grant given in 1986 towards the refurbishment of the hotel.

20. POST BALANCE SHEET EVENT

Modesole Ltd, a company in which the Council has a 6.7% shareholding, declared a dividend of £3.0m at the end of April 2005 of which this Council will receive £0.202m.

21. TRUST FUNDS

The Director of Finance and E-Government administers a number of trust funds of a mainly educational nature, which are independent of the Authority and excluded from the Balance Sheet.

	2004	2005
	£	£
John Kay	31,081	31,567
British Cotton Growers	91,957	94,243
Sidney Taylor Bequest	18,570	19,405
Others	87,889	85,982
Total	229,497	231,197
Represented by :-		
Investments	8,228	7,940
Cash	221,269	223,257
Total	229,497	231,197

22. RETIREMENT BENEFITS DISCLOSURE

Bury MBC has employees with pensions in the Greater Manchester Pension Scheme, which is administered in accordance with the Local Government Pension Scheme regulations 1997 as amended.

Note 9 to the Consolidated Revenue Account contains details of the Authority's participation in the Local Government Pension Scheme in providing retirement benefits.

The underlying assets and liabilities for retirement benefits attributable to the authority are as follows:

Net pension asset as at	31 Mar 2004	31 Mar 2005
	£000	£000
Estimated Employer Assets (A)	265,800	297,700
Present Value of Scheme Liabilities	276,500	364,000
Present Value of Unfunded Liabilities	-	17,600
Total Value of Liabilities (B)	276,500	381,600
Net Pension Asset (A)-(B)	(10,700)	(83,900)

The liabilities show the long term underlying commitments that the authority has to pay in retirement benefits. The total liability of £381.6 million has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a negative overall balance of £83.9 million.

Statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Greater Manchester Pension Fund liabilities have been assessed by an independent firm of actuaries - Hymans Robertson - based on the latest full valuation of the scheme as at 31 March 2004, with the next formal valuation due as at 31 March 2007. In order to assess the value of the Employer's liabilities in the Fund as at 31 March 2005, Hymans Robertson rolled forward the actuarial valuation of the liabilities as at 31 March 2004, allowing for changes in financial assumptions as prescribed under FRS 17.

The **financial assumptions** used for the purpose of the FRS17 calculations are as follows:

Assumptions as at	31 Mar 2004	31 Mar 2005
	% p.a.	% p.a.
Rate of Inflation	2.9	2.9
Rate of Increase in Salaries	4.4	4.4
Rate of Increase in Pensions	2.9	2.9
Rate for discounting scheme liabilities	6.5	5.4

Assets in the Council's Pension Fund as at 31st March 2003 are valued at fair value, principally market value for investments, and consist of the following categories, by value and proportion of the total assets held by the fund:

Assets	Long-term Return % 31 Mar 2004	Assets at 31 Mar 2004 £000	Proportion 31 Mar 2004 %	Long-term Return % 31 March 2005	Assets at 31 Mar 2005 £000	Proportion 31 Mar 05 %
Equities	7.7	179,800	67.6	7.7	201,500	67.7
Bonds	5.1	42,200	15.9	4.8	41,900	14.1
Property	6.5	27,300	10.3	5.7	30,100	10.1
Cash	4.0	16,500	6.2	4.8	24,100	8.1
TOTAL	6.9	265,800	100	6.9	297,700	100

23. GROUP ACCOUNTS

The Council will not be preparing group accounts for 2004/05. After the process of investigating group boundaries it was determined that Bury MBC had no relationships that required the production of Group Accounts for 2004/05.

However, preparatory work for the production of Group Accounts will be undertaken for 2004/05 in readiness for the required comparison with 2005/06 as it has been identified that it will be necessary to include 2 organisations in the 2005/06 Group Accounts.

AskBury Developments LLP has been identified as a joint venture company but apart from the initial exchange of £20 at the company formation no further

transactions will have occurred at 31 March 2005. Six Town Housing has also been identified as a future subsidiary but did not commence trading until 6 April 2005. Both these organisations will be incorporated into group accounts for 2005/06.

**STATEMENT OF TOTAL
MOVEMENTS IN RESERVES**

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

This statement brings together all the recognised gains and losses of the Authority during the year. All large organisations are required to produce such a statement, but this particular format has been adapted to reflect the statutory framework in which local authorities work.

2003/04		2004/05	
<u>£000's</u>		<u>£000's</u>	<u>Notes</u>
	Surplus/(deficit) for the year:-		
(3,407)	General Fund	(1,161)	
1,088	Housing Revenue Account	(1,212)	
(1,127)	Other Reserves	(970)	
0	add back Movements on specific revenue reserves	0	
(3,446)	Total increase/(decrease) in revenue resources	(3,343)	1
2,547	Increase/(decrease) in useable capital receipts	(3,067)	
1,066	Increase/(decrease) in unapplied capital grants and contributions	(805)	
3,613	Total increase/(decrease) in realised capital resources	(3,872)	2
77,932	Gains/(losses) on revaluation of fixed assets	74,851	
(932)	FARA other movements	0	
0	Impairment losses on fixed assets due to general changes in prices	0	
77,000	Total increase/(decrease) in unrealised value of fixed assets	74,851	3
(9,311)	Value of assets sold, disposed of or decommissioned	(8,649)	4
9,130	Capital receipts set aside	6,660	
3,348	Revenue resources set aside	1,436	
0	Movement on Government Grants Deferred	0	
2,848	Other movements on the capital financing account	6,274	
(798)	Movement on Major Repairs Reserve	(135)	
14,528	Total increase/(decrease) in amounts set aside to finance capital investment	14,235	5
16,866	Increase/(Decrease) on the pensions reserve	(56,266)	
99,250	Total recognised gains and losses	16,956	

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

1. MOVEMENT IN REVENUE RESOURCES

	General Fund Balances £000's	HRA Balances £000's	Earmarked Revenue Reserves £000's	Pension Reserve £000's
Surplus/(deficit) for 2004/05	(1,161)	(1,212)	(119)	
Appropriations to/from revenue			(851)	(1,967)
Actuarial gains and (losses) relating to pensions				(72,400)
Teachers unfunded pension liability				18,000
Other outgoings				101
	(1,161)	(1,212)	(970)	(56,266)
Balance brought forward at 1 April 2004	7,346	4,912	20,118	(27,634)
Balance carried forward at 31 March 05	6,185	3,700	19,148	(83,900)

Further detail with regards to the Pension Reserve can be seen in note 6 below.

2. MOVEMENTS IN REALISED CAPITAL RESOURCES

	Useable Capital Receipts £000's	Unapplied capital grants and contributions £000's
Amounts receivable in 2004/05	3,593	7,463
Amounts applied to finance new capital investment in 2004/05	(6,660)	(8,268)
Total increase/(decrease) in realised capital resources in 2004/05	(3,067)	(805)
Balance brought forward at 1 April 2004	4,530	2,013
Balance carried forward at 31 March 05	1,463	1,208

Further detail with regards to capital receipts and capital grants and contributions can be seen in notes 15 and 16 to the consolidated balance sheet.

3. MOVEMENTS IN UNREALISED VALUE OF FIXED ASSETS

	Fixed Asset Restatement Reserve £000's
Gains/losses on revaluation of fixed assets in 2004/05	74,851
Impairment losses on fixed assets due to general changes in prices in 2004/04	0
FARA other movements	0
Total increase/(decrease) in unrealised capital resources in 2004/05	74,851

4. VALUE OF ASSETS SOLD, DISPOSED OF OR DECOMMISSIONED

Amounts written off fixed asset balances for disposals in 2004/05	(8,649)
Total movement on reserve in 2004/05	66,202
Balance brought forward at 1 April 2004	300,061
Balance carried forward at 31 March 2005	366,263

Further detail with regards to the Fixed Assets Restatement Reserve can be found in note 12 to the consolidated balance sheet.

5. MOVEMENTS IN AMOUNTS SET ASIDE TO FINANCE CAPITAL INVESTMENT

	Capital financing reserve £000's	Government grants deferred £000's	Total £000's
Capital receipts set aside in 2004/05:			
reserved receipts	0		
useable receipts applied	6,660		
Total capital receipts set aside in 2004/05	6,660	0	6,660
Revenue resources set aside in 2004/05:-			
capital expenditure financed from revenue	2,202		
reconciling amount for provisions for loan repayment	(766)		
Total revenue resources set aside in 2004/05	1,436	0	1,436
Grants applied to capital investment in 2004/05	8,268		
Amounts credited to the asset management revenue account in 2004/05	0		
Other movements on the capital financing account in 2004/05	(1,994)		
Movement on Government Grants Deferred	-	0	0
Other movements on the capital financing account	6,274		6,274
Total increase/(decrease) in amounts set aside to finance capital investment			14,370
Total movement on reserve in 2004/05	14,370	0	
Balance brought forward at 1 April 2004	103,671	0	103,671
Balance carried forward at 31 March 2005	118,041		118,041

Further information with regards to the Capital Financing Reserve can be found in note 13a to the consolidated balance sheet.

6. MOVEMENT ON PENSION RESERVE

Movement in surplus / Deficit of the pension fund during the year is detailed as follows:

	<u>Year to 31</u> <u>March, 2004</u> <u>£000</u>	<u>Year to 31</u> <u>March, 2005</u> <u>£000</u>
Surplus/ (deficit) at beginning of the year	(44,500)	(10,934)
Current Service Cost	(9,000)	(11,400)
Employer contributions	6,466	7,433
Contributions in respect of Unfunded Benefits	-	1,300
Other income	-	-
Other outgoings (e.g. expenses, etc)	-	101
Past service costs	(600)	(1,200)
Impact of settlements and curtailments	(400)	(0)
Net return on assets	(1,100)	3,200
Actuarial gains/ (losses)	38,200	(72,400)
Surplus/ (deficit) at end of year	(10,934)	(83,900)

It should be noted that in the B/Fwd balance in the consolidated balance sheet the pension reserve is stated as £27.634 million. This is a combination of the deficit of the above of £10.934 million and the £16.7 million liability for unfunded teachers' pensions.

The actuarial loss of £72.4 million, identified as movements on the Pensions Reserve in 2004/05 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities:

	31 March, 2004		31 March, 2005	
	£000	%	£000	%
Actual return less expected return on pension scheme assets	37,900	14.3	13,700	4.6
Differences between actuarial assumptions about liabilities and actual experience	300	0.1	(23,000)	(6.0)
Changes in financial assumptions underlying the present value of scheme liabilities	0	0	0	0
Actuarial gain/ (loss) recognised in STRGL	38,200	13.8	(72,400)	(19.0)

CASH FLOW STATEMENT & NOTES

CASH FLOW STATEMENT

The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

<u>2003/2004</u>		<u>2004/2005</u>	<u>2004/2005</u>	<u>2004/2005</u>
<u>£000's</u>		<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
	<u>REVENUE ACTIVITIES</u>			
159,790	Cash Outflows: Cash Paid to and on behalf of Employees	172,347		
143,873	Other Operating Cash Payments	190,004		
14,049	Housing Benefit paid out	15,212		
30,539	NNDR payments to National Pool	30,713		
7,601	Precepts paid	8,186		
355,852		<hr/>	416,462	
(7,531)	Cash Inflows: Rents (after Rebates)	(20,879)		
(55,115)	Council Tax Receipts	(56,021)		
(52,760)	NNDR Receipts from National Pool	(50,513)		
(31,134)	Non-Domestic Rate Receipts	(31,310)		
(74,918)	Revenue Support Grant	(86,339)		
(22,675)	DSS Grants for Benefits	(25,003)		
(40,211)	Other Government Grants	(40,372)		
(85,161)	Cash Received for Goods and Services	(98,637)		
(369,505)		<hr/>	(409,074)	
(13,653)	NET CASH INFLOW FROM REVENUE ACTIVITIES		7,388	
	<u>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</u>			
2,468	Cash Outflows: Interest Paid		3,740	
(1,676)	Cash Inflows: Interest Received		(1,442)	
792			<hr/>	2,298
(12,861)				9,686
	<u>CAPITAL ACTIVITIES</u>			
20,795	Cash Outflows: Purchase of Fixed Assets	33,379		
0	Purchase of Long Term Investments	0	33,379	
20,795			<hr/>	
(11,677)	Cash Inflows: Proceeds of Sale of Fixed Assets	(9,046)		
(8,319)	Capital Grants received	(7,463)	(16,509)	
799			<hr/>	16,870
(12,062)				26,556
	<u>MANAGEMENT OF LIQUID RESOURCES</u>			
1,750	Net Increase/Decrease in Short Term Deposits		(18,250)	
(10,312)	NET CASH (INFLOW) / OUTFLOW BEFORE FINANCING			8,306

The Cash Flow Statement is continued on the next page.

<u>2003/2004</u>		<u>2004/2005</u>		
<u>£000's</u>		<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
FINANCING				
Cash Outflows: Repayments of amounts borrowed				
13,895	Long Term loans repaid	8,213		
0	Short Term loans repaid	0		
13,895			8,213	
Cash Inflows: Net Receipts from Long Term Debtors				
(1,345)	New Long Term Loans	(7,998)		
0	New Short Term Loans	0	(8,658)	
(1,345)				(445)
12,550				
2,238	NET (INCREASE) / DECREASE IN CASH			7,861

NOTES TO THE CASH FLOW STATEMENT

1. RECONCILIATION OF CASHFLOW TO CONSOLIDATED REVENUE ACCOUNT

The net cash flow from revenue activities can be reconciled to the Consolidated Revenue Account as follows:

<u>2003/2004</u> <u>£000's</u>	<u>2004/2005</u> <u>£000's</u>	<u>£000's</u>
3,407 (SURPLUS)/DEFICIT FOR THE YEAR ON REVENUE ACCOUNT		1,161
Non Cash Movements in Revenue Account:		
(7,393) Provision for Depreciation	(8,236)	
2,575 Other Provisions	3,080	
(2,244) Minimum Revenue Provision	(2,371)	
2118 Contributions from / (to) Revenue Reserves	3,204	
(1,706) Other non-cash Movements	1,776	
(6,650)		(2,547)
Movements in Current Assets and Liabilities:		
18 Increase / (Decrease) in Stock	681	
768 Increase / (Decrease) in Revenue Debtors	3,912	
(10,404) (Increase) / Decrease in Revenue Creditors & Advance Receipts	6,479	
(9,618)		11,072
Items shown elsewhere in the Cash Flow Statement:		
(2,468) Interest Paid	(3,740)	
1,676 Interest Received	1,442	
(792)		(2,298)
(13,653) NET CASH INFLOW FROM REVENUE ACTIVITIES		7,388

2. ANALYSIS OF NET DEBT

The following table details movement on cash, loans and investments in the year.

	<u>31st March</u> <u>2004</u> <u>£000's</u>	<u>Receipts</u> <u>£000's</u>	<u>Payments</u> <u>£000's</u>	<u>Other</u> <u>Movements</u> <u>£000's</u>	<u>31st March</u> <u>2005</u> <u>£000's</u>
Cash Overdrawn	(6,015)	88,803	(97,550)	0	(14,762)
Cash in Hand	806	886	0	0	1,692
Debt Due Beyond One Year	(77,909)	(7,998)	8,213	292	(77,402)
Debt Due Within One Year	(215)	0	0	(292)	(507)
Long Term Debtors	11,984	(660)	0	0	11,324
Current Asset Investments	23,900	(18,250)	0	0	5,650
TOTALS	(47,449)	62,781	(89,337)	0	(74,005)

3. RECONCILIATION OF NET DEBT

The table below reflects a favourable movement in the net debt of the Council during the year.

<u>2003/2004</u> <u>£000's</u>	<u>2004/2005</u> <u>£000's</u>
(2,238) (Increase)/ Decrease in Cash Overdrawn in the Year to 31 st March	(7,861)
12,550 (Increase)/Decrease in Debt	(445)
<u>1,750</u> Increase/(Decrease) in Investments	<u>(18,250)</u>
<u>12,062</u> Change in Net Debt	<u>(26,556)</u>
(59,511) Net Debt at 1 st April	(47,449)
<u>(47,449)</u> Net Debt at 31 st March	<u>(74,005)</u>
12,062 Movement in Net Debt	(26,556)

4. ANALYSIS OF GOVERNMENT GRANTS

The following government grants were received in and are reflected in the cash flow statement.

<u>2003/2004</u> <u>£000's</u>	<u>2004/2005</u> <u>£000's</u>
14,313 Housing Benefits	15,942
8,362 Council Tax Benefits	9,061
10,325 Housing Subsidy	0
1,513 Student Awards	0
9,482 Other Education Grants	17,749
8,270 Social Services	11,084
26 Probation	26
357 SRB/ERDF	1,298
6,936 Supporting People	6,913
<u>3,302</u> Other Grants	<u>3,302</u>
<u>62,886</u> TOTAL	<u>65,375</u>

5. MOVEMENT IN CASH

The table below shows the movement in cash to the related items in the opening and closing balance sheets for the period.

	<u>31st March</u> <u>2004</u> <u>£000's</u>	<u>31st March</u> <u>2005</u> <u>£000's</u>	<u>Movement</u> <u>£000's</u>
Bank Overdraft	(6,015)	(14,762)	8,747
Cash in Hand and at Bank	<u>806</u>	<u>1,692</u>	<u>(886)</u>
TOTALS	<u>(5,209)</u>	<u>(13,070)</u>	<u>7,861</u>

