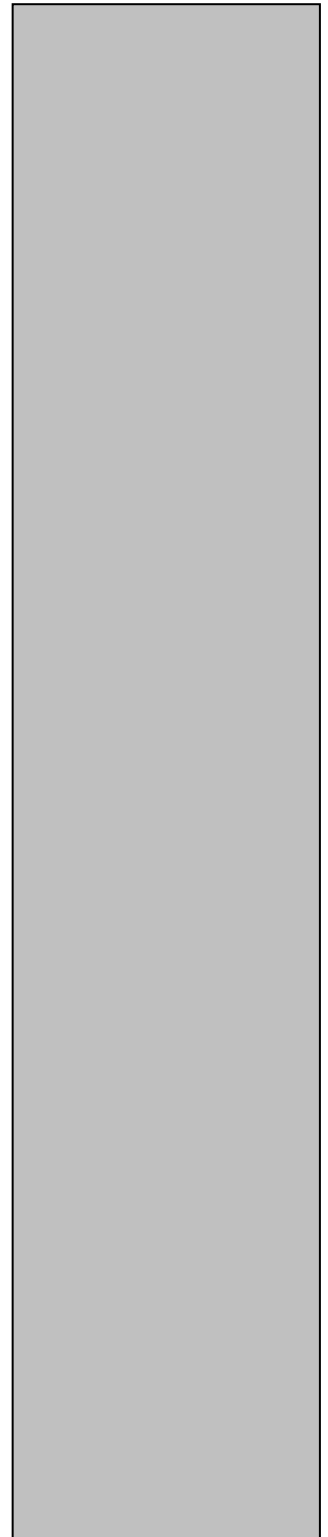




*FINANCIAL
MANAGEMENT
SERVICES*

**STATEMENT OF
ACCOUNTS
2005/2006**



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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 2005/06.

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 2005/06 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. 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)

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 Thursday, 29 June, 2006 and the amendments were approved on 26 September, 2006.

Signed on behalf of Bury Metropolitan Borough Council:

A handwritten signature in black ink, appearing to read 'B Briggs', is written over a light grey dotted rectangular background.

B Briggs
Chair of the Audit Committee
26 September, 2006

GLOSSARY OF TERMS

GLOSSARY OF TERMS

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- (i) Recognising
- (ii) Selecting measurement bases for, and
- (iii) Presenting

Assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques. They define the process whereby transactions and other events are reflected in the financial statements.

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:

INTANGIBLE ASSETS

an item in the Balance Sheet representing, for example, the cost of computer software purchased by the Authority where there is no tangible **fixed asset** in existence, but the Authority derives benefit from the expenditure over a number of years. Capital expenditure on such items as improvement grants given to the owners of private houses does not generate an asset for the Authority, and is not carried forward in the Balance Sheet.

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 amendment 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.

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.

EVENTS AFTER THE BALANCE SHEET DATE

Those events, favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

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 Option, 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.

NON DISTRIBUTED COSTS

These are overheads for which no user now benefits and should not be apportioned to services.

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.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- (i) One party has direct or indirect control over another party, or
- (ii) The parties are subject to common control from the same source, or
- (iii) One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests, or
- (iv) The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests

Examples of related parties of an authority include central government, local authorities and other bodies precepting or levying demands on the Council Tax, its subsidiary and associated companies, its joint ventures and joint venture partners, its members, chief officers and its pension fund (the administering authority and related parties, scheduled bodies and related parties, trustees and advisors)

RELATED PARTY TRANSACTION

The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples include:

- (i) The purchase, sale, lease, rental or hire of assets between related parties.
- (ii) The provision of a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund
- (iii) The provision of a guarantee to a third party in relation to a liability or obligation of a related party
- (iv) The provision of services to a related party, including the provision of pension fund administration services
- (v) Transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council tax, rents and payments of benefits

The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

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 2005 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 2005 to 31st March 2006** along with details of the assets and liabilities of the Council at **31st March 2006**. Wherever it is relevant the corresponding figures for the last financial year, 2004/2005, 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 2006 with regards to its assets, liabilities, reserves and balances.

THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

brings together all the recognised gains and losses of the Authority during the period and identifies those that have and have not been recognised in the Consolidated Revenue Account

THE CASH FLOW STATEMENT

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

THE GROUP ACCOUNTS

show the Group Income and Expenditure Account, Group Balance Sheet, Group Cash Flow Statement and Group Total Movements in Reserves for those subsidiaries, associates and joint ventures that the Council has interests in.

The Accounts comply with the CIPFA Accounting Code of Practice, 2000 and as updated by the 2005 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 August 2005, by **£2.623m**. 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 2006 the borough's schools had accumulated a total underspending against their budget of **£4.660m**, of which £3.890m is in respect of mainstream school budgets and £0.770m relating to Standards Fund grants which are not required to be spent until 31 August, 2006. 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 2006/2007 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 2006/2007 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 were included in the revenue outturn report which were considered by the Executive on 12 July, 2006.

Detailed Outturn and variation reports for all services were submitted to the Resource & Performance Scrutiny Panel on 24 July, 2006 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 2005/2006 was: -

	<u>Revised Estimate £000's</u>	<u>Actual £000's</u>	<u>Difference £000's</u>
Net cost of Bury services	209,188	206,565	(2,623)
Precepts :-			
Police	6,155	6,155	0
Fire	2,612	2,612	0
	217,955	215,332	(2,623)
TOTAL NET EXPENDITURE			
Financed from:-			
Revenue Support Grant	84,589	84,589	0
Business Rates Pool	60,610	60,610	0
Council Tax	68,449	68,449	0
Collection Fund	250	250	0
(SURPLUS) / DEFICIT	4,057	1,434	(2,623)

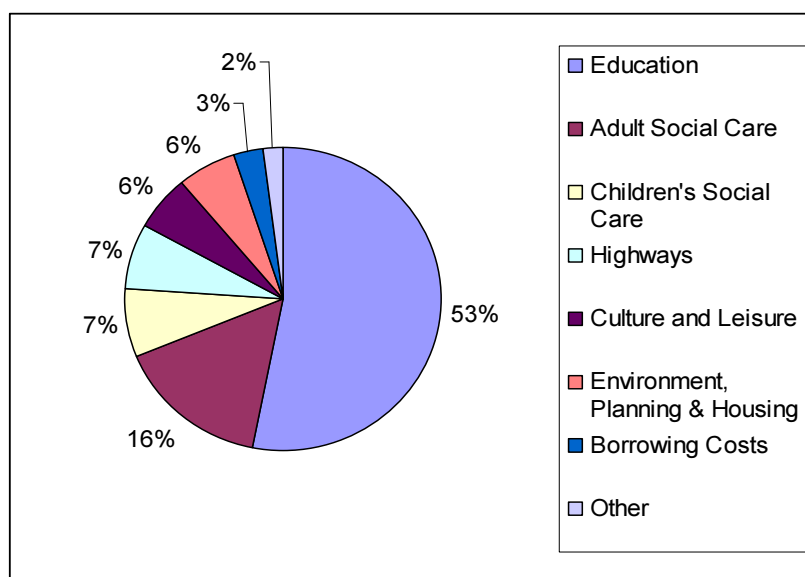
The **£4.057million** deficit shown at Revised Estimate was to be funded from **£5.114 million** of balances from School Reserves and **£0.755 million** of specific carry forward requests. These were to be offset with contributions to general fund balances of £1.810m, of which £1.056m related to the carry forward of the 2004/05 education non-schools overspend into 2005/06.

The Corporate Revenue Outturn Report which was considered by the Executive on 12 July, 2006 details the overall performance of the Council in 2005/2006.

Major Variances included:

<u>Area of Saving</u>	<u>£000's</u>
Schools underspend to be c/fwd into 2006/07	(4,660)
Environmental and Development Services	(1,156)
Adult Care Services	358
Support Services (Unallocated)	(382)
Housing	321
Education – Non Schools, and Culture	825
Children's Social Care	2,018
Chief Executive's	(540)
Other Variances	593
Total	(2,623)

The Council spent £206.565m (excluding precepts) in 2005/06 as follows



	£M
Education	109.064
Adult Social Care	33.124
Children's Social Care	14.159
Highways	13.373
Culture & Leisure	11.661
Environment, Planning & Housing	13.331
Borrowing costs	6.812
Other	5.041
	<u>206.565</u>

CAPITAL OUTTURN

Total Capital Expenditure in the year was **£35.180million** compared to the revised Capital Programme of **£43.683million**. Additionally, Bury's Voluntary Aided schools received £1.419m from the DfES for the modernisation of their schools. 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 67). The major capital schemes in progress during the year included:-

	<u>£000's</u>	<u>£000's</u>
EDS		
Play Areas	237	
Parks and Countryside	424	
Liveability Schemes	978	
Highways Planned Maintenance	150	
Highways Bridges	60	
Extension of Recycling Initiative	86	
Parking meters - plant and equipment	80	
Vehicle and Plant renewal	75	
Radcliffe pool repairs	45	
Asset Management System	35	
SBS computer system	34	
Athenaeum House re-roofing	26	
Other Schemes	14	
Bury Travel Plan	10	2,254
Education		
Modernisation / New School Places	3,135	
Expansion of Popular Schools	459	
Devolved Formula Capital	2,263	
Access Initiatives	190	
Specialist facilities	606	
Sure Start Nursery – Besses	521	
Seed Challenge for Schools	83	
Radcliffe High School	971	
Other Schemes	34	
Option Appraisals – Secondary Schools	24	8,286
Cultural Services		
Self Service Library Provision - Castle Leisure Centre	8	
Bury Museum and Archive Development	65	
Prestwich Library Co-location	9	
Ramsbottom Library Co-location	801	
Topping Fold Leisure	4	
Adult Education – The Haymarket	43	
Elton Youth Centre	421	
Bury Metro Arts Centre	44	
Ramsbottom Youth Centre	3	1,398
Highways		
Road Safety Schemes	889	
Bus Priority Schemes	830	
Traffic Calming	73	
Bridge Repairs and Maintenance	608	
Road Network Schemes	1,862	
Cycling Strategy	216	
Public Right of Way	31	
Town Centre	52	
Other Schemes	18	4,579
Housing & Environmental Services		
Re-roofing council housing	1,474	
Energy Efficiency	919	
Miscellaneous	347	
Asbestos Removal	86	
Disabled Facilities Adaptations	374	
Window Replacement	783	
Environmental and Security Works	188	
Modernisation Schemes	2,400	
Private Sector Grants and Associated Works	1,391	
Empty Homes Strategy	90	
Mosses	432	
Environmental works-Pimhole	3,944	
Other Environmental Works	56	
Capitalised Salaries	184	
Tulle Court	158	
Southview Extension	83	

Energy Efficiency (private)	7	12,916
Planning		
Pimhole Regeneration	869	
Investment Programme	268	
Roch Valley Regeneration Strategy	11	
Bury Ground Access	38	
Land Reclamation	38	
Preliminary Design	24	
Community Countryside Project	43	
Prestwich Clough improvement works	22	
Local Nature Reserves	17	
Safe routes to schools	11	
Prestwich Village and Town Centre	13	
Buckley Wells Project	29	
Castlecroft Transport Museum	77	
Twist Bridge retaining wall (Summerseat)	5	
ELR Visitor Gateway Improvements	4	
Manchester, Bury, Bolton Canal	15	
Built Environment & Heritage	31	1,515
Chief Executive and Property Services		
Invest to Save bid	13	
1-stop shop Whittaker Street	10	
Registry Office refurbishment	26	
Area Boards	50	
Finance & Customer Management Systems	2,047	
Costs of property sales and purchases	20	2,166
Social Services		
National Care Standards (NCS)		
NCS - Learning Disabilities	13	
NCS - Redcliffe Daycare extension	12	
NCS - Elmhurst Walkway	46	
NCS - Spurr House	128	
Integrated Services - profound need	61	
Integrated Services - children	26	
Whittaker House option appraisals	6	
Topping Fold refurbishment	30	
Killelea refurbishment	66	
Bealy's refurbishment	768	
Falcon & Griffin Home Care	26	
Victoria Children and Family Centre	15	
Seedfield - Childrens DDA and floor investigations	219	
Parsons Lane Old Peoples Home	21	
Street Wise – Wash Lane	26	
Sure start Nursery	508	
Improving Information Management	95	2,066
TOTAL		35,180

During the year there were a number of material capital receipts due to the disposal of council houses, and various parcels of land including an area at Howard's Hill. The Capital Outturn report was considered by the Executive on 12 July, 2006 and copies of the Capital Outturn report are available from the Head of Financial Management at Bury Town Hall during normal office hours or by telephoning 0161-253 5034.

The Capital Programme is funded from a variety of funding sources. During the financing of the Capital Programme the emphasis is put on the optimum use of resources so that the best possible financial position for the Council is achieved. This is achieved through maximising the use of supported borrowing, capital grants and external contributions. The Capital Programme also requires contributions from capital receipts, reserves and the revenue budget.

The financing of the expenditure carried out during the year inclusive of the brought-forward unfinanced capital expenditure is detailed below:

<u>Expenditure:</u>	<u>£000's</u>	<u>£000's</u>
Un-financed Capital Expenditure b/fwd		2,415
Fixed assets	27,473	
Intangible assets	7,154	
Vehicle, Plant and Equipment	553	
		<u>35,180</u>
Total		<u>37,595</u>
<u>Financed by:</u>	<u>£000's</u>	<u>£000's</u>
Loan	15,849	
Capital Receipts	4,458	
Grants & Contributions	11,202	
Leasing	0	
Revenue	2,343	
Reserves	256	
Provisions	12	
Major Repair Allowance	3,475	
Total Financed in year		<u>37,595</u>
Total		<u>37,595</u>

BORROWING OUTTURN

During 2005/06, the capital financing requirement highlighted the need to borrow £16.5 million to fund capital investment. In accordance with the 2005/06 strategy surplus funds were used to meet this demand in the first instance, however new borrowing was also taken which resulted in an increase in the debt portfolio by £7.5 million.

In addition to an increase in the debt portfolio to cover capital expenditure, rescheduling of the loans portfolio occurred to reduce finance costs. An analysis of movements on loans during the year is shown below:

	Balance at	Loans	Loans	Balance
	31.03.05	Raised	Repaid	31.03.06
	£000s	£000s	£000s	£000s
PWLB	39,309	13,000	5,000	47,309
Market	29,000	0	0	29,000
Other loans	<u>3</u>	<u>0</u>	<u>0</u>	<u>3</u>
Bury MBC Debt	68,312	13,000	5,000	76,312
Airport PWLB Debt	<u>9,597</u>	<u>0</u>	<u>508</u>	<u>9,089</u>
Total Debt	<u>77,909</u>	<u>13,000</u>	<u>5,508</u>	<u>85,401</u>

HOUSING

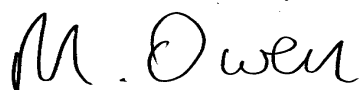
The Housing Revenue Account (HRA) on page 52 shows that a deficit of **£1.845 million** was achieved during the year. This was against an estimated deficit for the year of £1.802 million.

COLLECTION FUND

The information shown on page 58 demonstrates that at 31st March 2006 there was a surplus balance on the Collection Fund of **£0.321 million**. This sum will be utilised in 2006/2007 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 were deposited for inspection at the Town Hall for 20 working days (as required by the 2003 Accounts and Audit Regulations) commencing 3 July 2006 and the External Auditor was available for questioning on or after 31st July 2006. This facility was advertised in the local press.



M. OWEN, C.P.F.A.
Director of Finance & E-Government
29 June, 2006

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BURY METROPOLITAN BOROUGH COUNCIL

STATEMENT ON INTERNAL CONTROL 2005/06

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 the above.

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 2006, 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 also included representatives from key partner agencies drawn from the Local Strategic Partnership and it is intended that this feature of the Event will continue in 2006.

- Priorities and ambitions form the basis of the Community Strategy, and the authority's Corporate Plan (the Bury 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. In 2006/07 £1.5m of revenue growth was directed towards the Children's Services budget.
- 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 Bury 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 scheme of financial delegation was reviewed and up-dated in February 2006.
- The authority also operates four outward looking Scrutiny Commissions (Healthier Communities; Children and Young People; Economy, Environment and Transport; and Safe, Strong and Confident Communities) that are charged with policy development and review, and the scrutiny of decisions taken by the Executive, and one inward looking Scrutiny Panel (Resource and Performance) that focuses on the use of resources and performance. The Commissions/Panel each 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. These were fully reviewed and up-dated in February 2006.
- 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. Training on audit and the role of the Audit Committee has been provided to members of the Committee.

- The Council is subject to external audit by KPMG, 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.
- An all party Member group "the Corporate Risk Management Group" has been established, chaired by the Member Champion, to drive forward the authority's risk management programme.
- Each Council department has appointed a lead officer for Risk Management.
- An officer group, "the Operational 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.
- 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 were compiled using a corporate approach based on the Zurich Municipal STORM process, and these have been completely up-dated over the past three months. 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 Council, the Executive, the Resource and Performance Scrutiny Panel, the Corporate Risk Management Group 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 developed. 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 2006.
- A comprehensive review of risk management arrangements was conducted by the Audit Commission during 2004/05. 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". A further review is being undertaken by KPMG.
- Risk management awareness training has been provided to the Management Board and Senior Officers' Team, and further training was provided via the Chief Executive's briefing session in June 2006 and as part of the performance Management Workshops in June 2006. Training for members has been included in the Elected Member Development Programme.

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 proactive 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 reached its target of 100% by December 2005 (subject to audit). 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 has been 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 IIP accreditation for the Chief Executive's Department was successfully reassessed in May 2006 and the assessor commented on the very positive developments that had taken place since the last assessment.
- The authority has responded positively to the 'Gershon' agenda and the Forward Look Annual Efficiency Statement for 2006/07 demonstrated that the authority has identified efficiency savings totalling £8.652m against a target of £8.505m.
- 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 has recently implemented 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 and Performance 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. The reports are linked to performance information and Members' attention is directed by the use of risk management techniques.
- A Project Board has been established to monitor Adults' and Children's (formerly Social Services) spending and to oversee the implementation of corrective action. The role and

remit of the Project Board was reviewed and revised in early 2006, following discussions with KPMG.

- 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 (2005), when referring to the Direction of Travel Scorecard, made the following comments: "the Council has maintained good performance in services for young people including school attainment and attendance levels. Further improvements have been made in recycling, the quality of parks, adult social care, and the development of cleaner, greener, safer initiatives. Sixty one percent of the indicators of performance have improved since 2002/03, although challenges remain in reducing school exclusions."

- 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. Executive Members each have a specific Role Description setting out the responsibilities of their portfolio.
- There is a well established Overview and Scrutiny function which has been revised and updated in the light of experience. Scrutiny Commissions (policy development) and Panels (internal focus) 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 work of the Internal Audit and Risk Management section was reviewed by KPMG in March 2006 and assessed against the standards in CIPFA's Code of Practice for Internal Audit. It was found that the Section achieved nine out of the ten standards, and partially achieved the remaining one. An Action Plan to address KPMG's recommendations was approved by the Audit Committee.
- The Council's external auditors (KPMG) review the activities of the Council and approve the annual accounts. Conclusions and significant issues arising are reported in their Report to those charged with governance.

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 Annual Audit and Inspection Letter by the Audit Commission (the Council’s external auditors in 2004/05), stated: “Apart from around the bank and other reconciliations, we have not identified any further significant weaknesses in the overall control framework”.

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 key elements of the Children’s Services budgets during 2005/06 and these placed pressure on the authority’s overall budget strategy for 2006/07. 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 2006/07. A Project Board was established to review the situation and to drive forward future corrective action.

A number of issues relating to the authority’s Accounts were drawn to Members’ attention by the Audit Commission in their SAS610 report and in the Annual Audit and Inspection Letter. An Action Plan was drawn up to address these issues although the issues identified in relation to the operation of the bank reconciliation have continued to require considerable work to address weaknesses caused by the operation of the old financial ledger.

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

- Support the Director of Finance and E-Government in taking action to address financial management issues raised in the Audit and Inspection Letter.
- Support the action being taken to embed Risk Management into the authority’s business planning processes
- Complete Business Continuity Plans and put in place arrangements to allow the authority to respond pro actively to the Civil Contingencies Act.
- Strengthen the arrangements to manage the Children’s Services budget.
- 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.
- Continue to 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.

- Address issues identified in the Council's Use of Resources Action Plan.
- Address issues in particular the operation of the bank reconciliation process and ensure that a robust reconciliation process is implemented in respect of the Agresso system.

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 regular basis.

Signed:

Chief Executive



Date 20 June, 2006

Council Leader



Date 20 June, 2006

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 secure 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 2006.

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

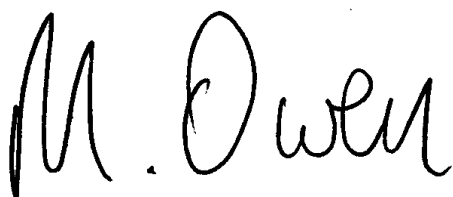
- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

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 31.



M. OWEN C.P.F.A.
Director of Finance & E-Government
29 June, 2006

AUDIT OPINION & CERTIFICATE

AUDIT OPINION AND CERTIFICATE

AUDITOR'S REPORT TO BURY METROPOLITAN BOROUGH COUNCIL

To be inserted at the conclusion of the audit.

Audit conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

To be inserted at end of audit

ACCOUNTING POLICIES

ACCOUNTING POLICIES

GENERAL

The statement of accounts summarises the Council's transactions for the 2005/06 financial year and its position at year end of 31 March 2006. 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	2%
Other Operational Properties	Reducing Balance	2%
Infrastructure Assets	Straight line	25 Years
Plant & Equipment	Reducing Balance	4 – 40%
Council Dwellings	Major Repairs Allowance	

For 2005/06 the Council has applied depreciation across all assets in accordance with FRS15 'Tangible Fixed Assets'. Plant & Equipment was depreciated over a range of expected Useful Lives of assets under this category. In 2005 / 06 the Council changed the method of depreciating Infrastructure Assets to Straight line over 25 years, replacing the previous Reducing Balance over 25 years. The Council intends to move to a Straight line method for all categories of asset as from 2006 / 07 when the Expected Useful Lives will be reviewed. Other Land & Buildings would be expected to have a useful life of 50 years and other short life assets of up to 10 years, dependant upon the type of asset.

INTANGIBLE ASSETS (inclusive of formerly DEFERRED CHARGES)

Intangible Assets represent expenditure which may properly be capitalised but which does not represent tangible fixed assets. This refers to the acquisition of software licences and the expenditure will be depreciated over the 10 years representing the current estimate for its useful life.

It is also a requirement that expenditure (formerly described as Deferred Charges) 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 66).

Intangible assets are carried at the historical cost of purchase and other costs incurred in bringing the asset to a usable condition.

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 4.95% 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.

GOVERNMENT GRANTS

Revenue grants are accrued and credited to income in the same period in which the related expenditure is charged. SSAP4 (Revised) *Accounting for Government Grants* states that capital expenditure related grants should be credited to revenue over the expected useful life of the assets. When a government grant or any other contribution has been applied to the financing of capital expenditure on fixed assets, a balance is established representing a deferred credit to be released to revenue to set off the depreciation that might be charged to assets.

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

Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rental payments are apportioned between:

A charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and
a finance charge (debited to the Asset Management Revenue Account as the revenue becomes payable)

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

Operating Leases

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

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.

LONG TERM CONTRACT

As per the requirement of SSAP 9 *Stocks and Long Term Contracts*, income and expenditure relevant to long term contracts is reflected in the consolidated revenue account as contract activity progresses. Long term contracts are reflected in the balance sheet when the amount by which recorded turnover is in excess of payments on account and these are classified as 'amounts recoverable on contracts' and are separately disclosed within debtors; or where the balance of payments on account is classified as payments on account and disclosed within creditors.

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 74 and Note 2 of the Statement of Total Movement in Reserves.

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 2005/2006 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. The 2 exceptions are:

Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional, democratic organisation
Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These 2 cost categories are accounted for as separate headings in the Consolidated Revenue Account, as part of Net Cost of Services.

PROVISIONS AND RESERVES

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Provisions are charged to the appropriate revenue account when the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charges to the provision set up on the balance sheet. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves. The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies.

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 were 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 pages 72 and 73.

REDEMPTION OF DEBT

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Consolidated Revenue Account in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio with substantially the same overall effect when viewed as a whole, gains and losses are recognised on the balance sheet and written down to revenue on a straight line basis over the term of the replacement loans.

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 2005/2006 are shown in Note 9 to the Consolidated Revenue Account on page 47.

Requirements for accounting for pension costs went 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 2005/06 financial year. The preparation of the information for this disclosure has required the assistance of actuaries and can be found in Note 21 to the Consolidated Balance Sheet on page 77.

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>2004/2005</u>	<u>2005/2006</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			
2,677 Central Services to the Public	31,949	(29,056)	2,893
2,492 Non-Distributed Costs	2,118	(834)	1,284
834 Court Services	284	-	284
27,119 Cultural, Environmental & Planning Services	44,533	(18,498)	26,035
105,260 Education Services	186,438	(72,348)	114,090
17,933 Highways, Roads & Transport Services	29,900	(10,287)	19,613
12,400 Housing Services	72,711	(56,579)	16,132
47,540 Social Services	86,448	(35,591)	50,857
4,648 Corporate & Democratic	4,921	(368)	4,553
482 Other Operating Inc & Exp.	677	(510)	167
221,385 NET COST OF SERVICES	459,979	(224,071)	235,908
(2,084) (Surplus)/Deficits on Trading Operations			(2,807) 5
(3,200) Pensions Interest Cost and Expected Return on Pensions Assets			300 9
(12,263) Asset Mgt Revenue Account			(15,340) 3
(29) Gain on repurchase of borrowing			(29)
5,453 Contribution to Housing Pooled Capital Receipts			3,222
0 Investment Income			(694)
(1,442) Interest Receivable			(785) 6
207,820 NET OPERATING EXPENDITURE			219,775
(1,212) Transferred to HRA balances			(1,845)
(851) Transfer to / (from) Other Earmarked Reserves			190 4
(1,967) Movement on Pensions Reserve			(4,184) 9
2,202 Capital Expenditure Financed from Revenue			2,343
(5,453) Transfer from Usable Capital Receipts equal to Housing Pooled Capital Receipts			(3,222)
(4,684) Deferred Charges			(5,038)
(766) Provision for repayment of external loans			(1,454) 8
195,089 AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXATION			206,565
(56,578) Council Tax			(59,682)
(86,339) Revenue Support Grant			(84,589)
(50,658) Contribution from Non-Domestic Rate Pool			(60,610)
(353) Collection Fund Surplus			(250)
1,161 NET (SURPLUS)/ DEFICIT			1,434
(7,346) Balance on General Fund			(6,185) 18

Brought Forward		
- In Year Contribution to General Fund Balances	(519)	18
(6,185) Balance on General Fund Carried Forward	(5,270)	18
(5,114) (General Fund balance attributable to schools budgets)	(4,660)	

M. Owen

M. OWEN C.P.F.A.
Director of Finance & E-Government
29 June, 2006

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 were presented to members of the Resource and Performance Scrutiny Panel on 24 July, 2006. A summary outturn report was presented to the Executive on 12 July, 2006.

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

Exceptional items are ones that are material in terms of the authority's overall expenditure and are not expected to recur frequently or regularly. Prior year adjustments represent those material adjustments applicable to prior years arising from changes in accounting policies or the correction of fundamental errors. In accordance with the 2005 SoRP, changes have been made to the presentation of the Capital Expenditure and Financing Note (page 68). Additionally, as a result of the transfer in 2005/06 of children's social care services from the directorate of adult care services (previously social services) to the directorate of children's services (previously education), amendments have been made in the relevant notes to the accounts to reflect these changes. There were no other 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>2004/2005</u>		<u>2005/2006</u>
<u>£000's</u>		<u>£000's</u>
	<u>Expenditure</u>	
4,580	External Interest charges	4,760
8,236	Provision for Depreciation	9,627
12,816		14,387
	<u>Less Income</u>	
(11,845)	Capital Charges – General Fund	(13,375)
(13,234)	Housing Revenue Account	(16,283)
0	Transfer s from Government Grants Deferred Account	(69)
(25,079)		(29,727)
(12,263)	TOTAL TO GENERAL FUND & HRA	(15,340)

4. RESERVES

Reserves and details of these and their balances, are given in Note 13 to the Consolidated Balance Sheet (Page 73). However for completeness, in considering the Consolidated Revenue Account the following movements relating to Reserves should be noted: -

	Housing Services	GM Connexions	Cultural Services	Finance	Policy/ C Execs	Highways	Adult Care	Comp Services	Authority Wide	TOTAL
Reserves	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Arts Reserves			5							5
Energy			10				14	57		81
Outwood								7		7
Viaduct										
School								10		10
Catering										
Major Repairs	(29)									(29)
IT				(202)	(116)				694	376
Adult Care Area					(42)		(114)			(114)
Board EDS						73		72		145
Leisure Facilities								(47)		(47)
Comm Sums								(209)		(209)
General Fund		10								10
CCTV								(3)		(3)
Radcliffe										
TOTAL	(29)	10	15	(202)	(158)	73	(100)	(113)	694	190

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>2004/2005</u>		<u>2005/2006</u>	
<u>Deficit/ (Surplus)</u>		<u>Gross Expenditure</u>	<u>Deficit/ (Surplus)</u>
<u>£000's</u>		<u>£000's</u>	<u>£000's</u>
726	Civic Halls	1,914	707
(759)	Markets	1,576	(796)
(1,094)	Property & Estates	1,737	(958)
(854)	Industrial Units	992	(728)
29	Metro Design	103	34
(23)	Engineers	4,601	40
(10)	Building Maintenance	9,371	309
(106)	Architectural Practice	2,362	(102)
74	Refuse Collection	2,268	47
(6)	Winter Maintenance	185	7
57	Grounds Maintenance	3,042	140
165	Cleaning of Buildings	4,624	170
(13)	Landscape Architects	0	0
0	Education – Fair Funding	1,482	0
	Emergency & Security		
48	Service	1,242	16
(318)	Transport Services	3,911	(443)
(825)	Airport Dividend	0	(1,250)
(2,909)	TOTAL	39,410	(2,807)

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 2004/05 and 2005/06 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

<u>2004/2005</u>		<u>2005/2006</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>	<u>Expenditure</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
334	Employee Expenses	250	128	378
2	Premises	0	0	0
17	Transport	14	7	21
89	Supplies and Services	33	27	60
236	Central & Support Service Charges	173	56	229
678	TOTAL EXPENDITURE	470	218	688
	Income			
(476)	Building Regulation Charges	(476)	0	(476)
(28)	Miscellaneous Income	0	(33)	(33)
(504)	TOTAL INCOME	(476)	(33)	(509)
174	(SURPLUS)/DEFICIT FOR YEAR	(6)	185	179

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 £41,120 has been incurred for this 3 year accounting period. The 2004/2005 comparative figure in the above table is for the whole of the

Buildings Regulation function, not just the chargeable account. 2004/05 and 2005/06 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>2004/2005</u> <u>£000's</u>	<u>2005/2006</u> <u>£000's</u>
Interest on Car Loans	124	103
Mortgage Interest repayment – HRA	22	17
Mortgage Interest repayment – HLA	48	4
Investment Interest	1,248	603
Interest on Other Balances	0	48
Unpaid Account Interest	0	10
TOTAL	1,442	785

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>2004/2005</u> <u>£000's</u>	<u>2005/2006</u> <u>£000's</u>
Staff advertising	602	376
Other advertising	343	276
Publicity	459	443
TOTAL	1,404	1,095

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 2005/06. The method of calculating the provision is determined by statute and in 2005/2006 the amount set aside was: -

<u>2004/2005</u> <u>£000's</u>	<u>Minimum Revenue Provision</u>	<u>2005/2006</u> <u>£000's</u>
2,371	General Fund	2,997
0	Housing Revenue Account	0
2,371	TOTAL	2,997

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>2004/2005</u>	<u>2005/2006</u>
<u>£000's</u>	<u>£000's</u>
Provision for Repayment of External Loans	
2,371 Minimum Revenue Provision	2,997
399 Other principal repayments	434
- Release from Government Grants Deferred Account	69
(3,536) Less : Depreciation charged to Consolidated Revenue A/C	(4,954)
(766) TOTAL	(1,454)

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>2004/2005</u>	<u>2005/2006</u>	
<u>Total Cost</u> <u>£000's</u>	<u>Total Cost</u> <u>£000's</u>	<u>Proportion of Pensionable pay</u> <u>%</u>
<u>Teachers</u>		
6,668 Contribution to Department for Education etc.	6,926	12.4
1,271 Added years and pensions increases	1,300	2.32
7 Lump sum payments	17	.21
7,946	8,243	
<u>Other employees</u>		
7,433 Contribution to Superannuation Fund	8,506	8.5
1,224 Added years and pensions increases	1,273	1.27
0 Lump sum payments	275	2.81
8,657	10,054	

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 Council. 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> <u>31 March 2005</u>	<u>Year to</u> <u>31 March 2006</u>
	£000's	£000's
Net Cost of Services		
Service cost	11,533	12,400
Past service costs	1,067	800
Curtailement and Settlements	0	(800)
Total Costs of Services (A)	12,600	12,400
Net operating Expenditure		
Interest cost	(15,300)	(20,500)
Expected return on assets in the scheme	18,500	20,200
Total Operating Expenditure (B)	3,200	(300)
(A)-(B)	9,400	12,700
Amount to be met from Government Grants and Local Taxation:		
Movement on pensions reserve	1,967	4,184
Actual amount charged against council tax for pensions in the year		
Employers' contributions payable to scheme	7,433	8,516

Note 21 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 2005/2006 was £1,528,233 (2004/2005 £1,303,135).

Land and Buildings – the authority leases numerous buildings, which have been accounted for as operating leases. The rentals payable in 2005/06 were £493,130 (2004/2005 £410,880)

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 2005/06 were £3,884,964.00 (2004/05 £3,686,741.62)

The Authority also holds various assets under the terms of an operating lease for the mainframe computer plant. The main lease expired on 31 March 2005 but it has been extended and is due to expire during 2006/07 when the new finance system goes live. The amount charged under these arrangements in 2005/2006 was £111,486 (2004/2005 £305,489).

The Council does not have any finance leases. 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 the Local Authority (Goods & Services) Act 1970 to provide goods & services to other public bodies. The Authority provided security, building, engineering, caretaking & cleaning and grounds maintenance services to a range of organisations outside the local authority. These included colleges, Health authorities, Housing associations and various not-for profit church and sporting organisations. The income earned from these activities in 2005/2006 was £303,603 (£284,036 in 2004/2005), which represents a minor proportion of the authority's trading activities.

In addition from 1st April 2005 the Authority provided services to its newly established Arms Length Management Organisation (ALMO) Six Town Housing. In total the income to the authority from Six Town Housing was £7.686m of which the largest amount (£6.833m) related to Housing repairs & maintenance and associated services such as provision of repairs reporting & performance monitoring services. Other substantial areas of work included emergency & security services (£0.274m) architectural services (£0.111m) and grounds maintenance (£0.297m)

Details of turnover and expenditure for the authority's main trading activities are shown in a separate note to the accounts.

12. MANCHESTER AIRPORT PLC

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

<u>2004/2005</u> <u>£000's</u>	<u>2005/2006</u> <u>£000's</u>
Income	
(394) Rent Income	(403)
(825) Dividend Income	(1,250)
(1,219)	(1,653)
Expenditure	
80 Repayment of loans	80
825 Provision for repurchase of shares	1,250
905	1,330
(314) NET INCOME	(323)

In 2005/06 net income of £403,067 was transferred to the Consolidated Revenue Account and the dividend of £1,250,000 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 2005/2006

the Council paid 93.16% of all suppliers within 30 days (2004/2005 85.71%). 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>2004/2005</u>	<u>2005/2006</u>
50,000 to 59,999	24	28
60,000 to 69,999	9	12
70,000 to 79,999	4	6
80,000 to 89,999	1	2
90,000 to 99,999	1	1
TOTAL	39	49

15. **MEMBERS ALLOWANCES**

The total of allowances paid to Members of the Council during 2005/2006 was £560,703 (£535,620 in 2004/2005).

16. **EURO**

The Authority incurred no direct expenditure during 2005/06 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 2005/2006 the Council has undertaken the following transactions with related parties:

1 Member of the Council is the Deputy Chief Executive of a Voluntary Organisation. The Council entered into transactions with the concern to the value of £6,105 in 2005/06.

1 Member of the Council is the Chief Executive of a Day Care Centre. The Council entered into transactions with the concern to the value of £91,626 during 2005/06 (£97,525 during 2004/2005).

5 Members of the Council are on the board of Six Town Housing, which represents 29.4% of the voting rights of Six Town Housing. The Council entered into transactions with the concern to the net value of £1,784,503 during 2005/06. This represents income to the Council of £11,159,204 and expenditure, including the management fee paid to Six Town Housing, of £12,943,707.

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 2005/2006 deficit on the General Fund (excluding the use of balances and reserves) of **£1.434m** 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 2005	(267)	(4,847)	(1,071)	(6,185)
(Surplus)/Deficit for the Year	(503)	957	980	1,434
In Year Contribution	-	-	(519)	(519)
Balance at 31st March 2006	(770)	(3,890)	(610)	(5,270)

The directorate carry-forwards requests were considered by the Executive on 12 July, 2006.

19. DISCLOSURE OF AUDIT COSTS

In 2005/06 the Authority incurred the following fees relating to external audit and inspection:

	<u>2004/2005 (£000)</u>	<u>2005/2006 (£000)</u>
Fees payable to the Audit Commission / KPMG with regard to external audit services carried out	251	256
Fees payable to the Audit Commission in respect of statutory inspection	64	17
Fees payable to the Audit Commission / KPMG for the certification of grant claims and returns	117	170
TOTAL	432	443

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 2005/06 are shown below. The £613,900 deficit will be met in full by contributions from Bury MBC. 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>2005/06</u>	<u>2005/06</u>
	<u>Total Fund</u>	<u>Bury MBC</u>
	<u>£000</u>	<u>£000</u>
Contributions to the pool	(15,882)	(8,620)
Expenditure from the pool	16,496	9,234
(Surplus) / Deficit	614	614

The 2004/05 deficit was £825,000, which was met by contributions from Bury MBC (£794,000) and Bury PCT (£31,000).

21 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 2005/06 are shown below. The £64,800 surplus will be repaid to 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>2005/06</u>
	<u>Total Fund</u>
	<u>£000</u>
Contributions to the pool	(616)
Expenditure from the pool	551
(Surplus) / Deficit	(65)

The 2004/05 deficit was £100,900 which was met by contributions from Bury MBC and Bury PCT.

22 SECTION 137 OF THE 1972 LOCAL GOVERNMENT ACT

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom, and mayoral appeals. Expenditure in 2005/06 was £6,210 through the Mayor's Charity (£15,650 in 2004/05).

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'). From April 2005 the Council's housing stock is managed by an Arms Length Management Organisation, Six Town Housing.

<u>2004/2005</u> <u>£000's</u>		<u>2005/2006</u> <u>£000's</u>	Note
	<u>INCOME</u>		
	Rents (Gross of Rent Rebates)		1,2,10
21,080	Dwellings	21,579	
201	Other Property	207	
735	Charges for Services and Facilities	729	
143	Contributions towards expenditure	189	
<u>22,159</u>	TOTAL INCOME	<u>22,704</u>	
	<u>EXPENDITURE</u>		
6,732	Repairs and Maintenance	6,942	
6,745	Supervision and Management	7,887	
37	Rents, Rates, taxes & other charges	46	
0	Rent Rebates	0	12
127	Increased Provision for Bad & Doubtful Debts	92	11
3,351	Transfer of assumed surplus to ODPM	3,127	9
8,534	Cost of capital charge	11,610	5
4,700	Depreciation of fixed assets	4,672	3, 6
6	Debt management costs	11	
<u>30,232</u>	TOTAL EXPENDITURE	<u>34,387</u>	
<u>8,073</u>	NET COST OF SERVICES	<u>11,683</u>	
(7,699)	Adjusting transfer from AMRA	(10,698)	
(44)	Amortised Premiums and Discounts	(44)	
(242)	Investment Income	(196)	
88	NET OPERATING EXPENDITURE / (INCOME)	745	
1,257	Revenue Contribution to Capital Exp.	1,129	4
0	HRA Contribution to MRP	0	
(29)	Transfer from Major Repairs Reserve	(29)	3
(104)	Reversal of FRS17 Adjustment	0	
1,212	(SURPLUS)/DEFICIT FOR THE YEAR	1,845	
<u>(4,912)</u>	(SURPLUS) / DEFICIT B/FWD	<u>(3,700)</u>	
<u>(3,700)</u>	(SURPLUS) / DEFICIT C/FWD	<u>(1,855)</u>	

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>2005</u>		<u>2006</u>
	Flats and Maisonettes	
2,333	1 Bedroom	2,328
846	2 Bedrooms	839
76	3 Bedrooms	74
243	Bedsitters	243
	Houses & Bungalows	
810	1 Bedroom	809
1,930	2 Bedrooms	1,903
2,311	3 Bedrooms or more	2,274
<u>8,549</u>	TOTAL	<u>8,470</u>

Council house sales account for the reduction in the Housing stock during the financial year.

The value of the housing stock was:-

<u>2005</u> <u>£000's</u>		<u>2006</u> <u>£000's</u>
242,375	Total Balance Sheet value as at 1 st April	330,270
1,452	Dwellings	1,456
<u>243,827</u>	Shops, Offices and Garage Colonies	<u>331,726</u>
	Total Operational Assets	
0	Reclassification	0
6,199	Additions	6,571
(63)	Certificated Revaluation – Shops and Offices	(34)
94,012	Housing Stock Revaluations	(45,041)
(4,700)	Depreciation	(4,672)
(7,549)	Sale of Council Houses	(3,054)
0	Sale of other Council Housing assets	(17)
<u>331,726</u>	Balance Sheet Value as at 31st March	<u>285,479</u>
330,270	Dwellings	284,103
1,456	Shops, Offices and Garage Colonies	1,376
<u>331,726</u>	Total Operational Assets	<u>285,479</u>

2. VACANT POSSESSION

- (i) The Vacant Possession Value (VPV) of dwellings within the Council's HRA as at 1st April 2005 was £607.840 million representing an increase of 4.71% over the 1st April 2004 figure of £580.500 million. The new value was established as a result of the revaluation of the Housing Stock completed in the year.
- (ii) The VPV is an opinion of the best sale price that could have been obtained for the properties on the date of the valuation. The Balance Sheet value of dwellings within the HRA contains an adjustment (factor advised by Government) to reflect the fact that the properties have sitting tenants enjoying sub-market rents and rights, including 'right-to-buy'. This reflects the economic cost to the Government of providing council housing at less than open market rents. In July 2005 the adjustment factor for the North West and Merseyside Region was reduced from 59% to 48%, which, together with disposals in the year, accounts for the reduction in the Balance Sheet value at 31st March 2006.

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 during the year an amount not less than the MRA.

<u>£000'S</u> <u>2004/05</u>	<u>£000's</u> <u>2005/06</u>
135 Balance as at 1 st April 2005	0
4,700 Transferred to MRR during the year	4,672
(29) Transferred from MRR to HRA during the year	(29)
(4,806) Debits in respect of capital expenditure within HRA	(3,483)
0 Balance as at 31 st March 2006	1,160

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>2004/05</u>	<u>£000's</u> <u>2005/06</u>
6,100 Capital Expenditure on HRA dwellings	6,571
260 Capital creditors and unfinanced expenditure b/f from 2004/2005	175
(175) Capital creditors and unfinanced expenditure c/f to 2006/2007	0
6,185 Total Capital expenditure within the HRA to be financed	6,746
Financed By:	
15 Housing Balance Sheet Provision	12
0 ALMO borrowing	2,120
26 Usable Capital Receipts	0

81 SRB Grant	10
1,257 Revenue Contributions	1,129
4,806 Major Repairs Reserve	3,475
6,185 Total	6,746

Total capital receipts from the disposal of houses during the year was **£4.321 million**. This figure represents a decrease of 41.7% over the 2004/2005 figure of £7.417 million. In addition to the dwellings disposed in the year an area office was also sold in 2005/06 with a resulting capital receipt of £114,000.

5. **COST OF CAPITAL CHARGE**

This is calculated as 3.5% of the value of HRA operational assets. 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 2005/06, the total charge for depreciation for council houses was £4,643,000 (£4,671,252 in 2004/05) and for other property was £29,108 (£29,045 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**

HRA subsidy is central Government's contribution towards the cost of council housing. 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/by the Authority for 2005/2006

<u>£000's</u> <u>2004/05</u>		<u>£000's</u>	<u>£000's</u> <u>2005/06</u>
3,129	Management Allowance	3,425	
6,483	Maintenance Allowance	7,011	
4,672	Major Repairs Allowance	4,643	
14,284			15,079
1,747	Charges for Capital	1,753	
106	Admissible Allowance	71	
0	Rent Rebates	0	
0	Other items of reckonable expenditure	0	
1,853			1,824

(19,472) Guideline Rent Income	(20,032)
(28) Interest on Receipts	(22)
(19,500)	(20,054)
(3,363) Subsidy Receivable From / (Payable to) ODPM	(3,151)
12 Prior Year Adjustments	24
(3,351) Total Subsidy Receivable From / (Payable to) ODPM	(3,127)

10. RENT ARREARS

The rent arrears as at 1 April, 2005 totalled £1,498,161 and at 31 March, 2006 they totalled £1,354,110. 44.2% of the arrears at 31 March 2006 related to current tenants (46.1% at 31st March 2005) and 55.8% related to former tenants (53.9% at 31st March 2005).

11. BAD DEBT PROVISION

<u>£000's</u> <u>2004/05</u>	<u>£000's</u> <u>2005/06</u>	<u>£000's</u> <u>2005/06</u>
1,380 Opening Bad Debt Provision		1,364
127 Charged to HRA 2005/2006	92	
(187) Written off	(248)	
44 Reinstated previously written off amount	32	
(16) Net Increase 2005/2006		(124)
1,364 Closing Bad Debt Provision		1,240

12. RENT REBATES

Under the new Financial Framework for Local Authority Housing, from the 1st April 2004, rent rebates have been transferred out of the Housing Revenue Account to the General Fund. In recognition that rent rebate subsidy does not meet the full cost of rent rebates, the additional impact on the general fund is to be phased in over two years by making a charge to the HRA. The transfer of rent rebates was found not to have a significant impact on either the Housing Revenue Account or the General Fund, therefore no charge has been made.

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>2004/2005</u>		<u>2005/2006</u>	<u>Note</u>
<u>£000's</u>		<u>£000's</u>	
	<u>INCOME</u>		
(56,022)	Income from Council Tax Payers	(59,328)	1
1	Community Charge Payers	(1)	
	Transfers from General Fund		
(9074)	Council Tax Benefit	(9,596)	
(104)	Other Income	1	
<u>(34,304)</u>	Income from NNDR payers	<u>(35,497)</u>	2
<u>(99,503)</u>	TOTAL INCOME	<u>(104,421)</u>	
	<u>EXPENDITURE</u>		
64,764	Precepts on the Collection Fund	68,449	3
	NNDR		
33,352	Payments to National Pool	35,265	
235	Cost of Collection	232	
144	Interest Payable net of refunds	1	
	Bad and Doubtful Debts		
972	Increased/(Reduced) Provision	399	
	Transfer of Previous Year's Estimated Surplus		
353	To General Fund	250	
49	To Major Preceptors	36	
<u>99,869</u>	TOTAL EXPENDITURE	<u>104,632</u>	
366	FUND DEFICIT/ (SURPLUS) FOR THE YEAR	211	
0	PRIOR YEAR ADJUSTMENT	24	
<u>(922)</u>	BALANCE BROUGHT FORWARD	<u>(556)</u>	
<u>(556)</u>	BALANCE CARRIED FORWARD	<u>(321)</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	23,937	6/9	15,955
B	£40,000 to £52,000	15,066	7/9	11,718
C	£52,000 to £68,000	14,887	8/9	13,233
D	£68,000 to £88,000	8,044	1	8,044
E	£88,000 to £120,000	4,923	11/9	6,017
F	£120,000 to £160,000	1,631	13/9	2,355
G	£160,000 to £320,000	1,203	15/9	2,004
H	More than £320,000	127	18/9	255
		69,818		59,581
	Less allowance for losses on collection			(1,192)
	COUNCIL TAX BASE 2005/2006			58,389

- i) The actual number of properties was 78,605 but after adjusting for single person discounts, empty properties etc, the notional number of dwellings is 69,818.
- ii) The Band D Council Tax levied for the year was **£1,172.27** (£1116.96 in 2004/2005).

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 2005/2006 was **42.2p** in the pound (45.6p in 2004/2005) and at 31st March 2004 the estimated non-domestic rateable value of the Borough was **£104,828 million** (£85,777 million at 31st March 2005). In addition 2005/06 reflected the introduction of the Small Business Rate which was set at **41.5p** in the pound (no comparator for 2004/05). 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>2004/2005 £000's</u>	<u>2005/2006 £000's</u>
Bury MBC	56,578	59,682
Greater Manchester Police Authority	5,713	6,155
Greater Manchester Fire & Civil Defence Authority	2,473	2,612
TOTAL	64,764	68,449

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET AT 31ST MARCH 2006

<u>2005</u>			<u>2006</u>			
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>Note</u>
		FIXED ASSETS				
2,036		Intangible Fixed Assets		3,948		2
		Tangible Fixed Assets				
		Operational Assets:				
331,726		Council Dwellings	285,479			
203,052		Other Land & Buildings	204,403			
1,439		Vehicles & Plant	1,485			
25,430		Infrastructure Assets	25,658			
370		Community Assets	370			
		Non-Operational Assets:				
30,452		Investment Properties	30,431			
0		Assets under construction	0			
437		Surplus assets held for disposal	517			
<u>592,906</u>	<u>594,942</u>	TOTAL FIXED ASSETS		<u>548,343</u>	<u>552,291</u>	<u>1</u>
		LONG TERM INVESTMENTS				
10,214		Manchester Airport PLC		10,214		
<u>1</u>	<u>10,215</u>	Other		<u>0</u>		<u>7</u>
					<u>10,214</u>	
		LONG TERM DEBTORS				
11,321		Loan Accounts		10,348		<u>8</u>
28		Debt Managed for Probation Services		28		<u>3</u>
<u>3</u>	<u>11,352</u>	Debt Managed on Behalf of Other Local Authorities		<u>0</u>	<u>10,376</u>	
		CURRENT ASSETS				
1,395		Stocks & Work in Progress	1,107			
5,650		Short Term Investments	6,600			
28,970		Sundry Debtors & Advance Payments	28,716			<u>8</u>
<u>1,692</u>	<u>37,707</u>	Cash in Hand	<u>1,757</u>	<u>38,180</u>		
		LESS : CURRENT LIABILITIES				
(507)		Short Term Loans Outstanding	(2,260)			<u>9</u>
(192)		Deposits & Clients' Funds	(211)			
(32,107)		Sundry Creditors & Advance Receipts	(34,912)			
<u>(7,400)</u>	<u>(40,206)</u>	Cash Overdrawn	<u>(6,692)</u>	<u>(44,075)</u>		
	<u>(2,499)</u>	NET CURRENT LIABILITIES			<u>(5,895)</u>	
	<u>614,010</u>	TOTAL ASSETS LESS CURRENT LIABILITIES			<u>566,986</u>	
		LESS: LONG TERM LIABILITIES				
		Loans Outstanding				
77,402		External		83,141		<u>9</u>
9,937		Deferred Liabilities		9,617		<u>10</u>
83,900		Pension Liability		117,700		<u>21</u>
<u>9,892</u>	<u>(181,131)</u>	Provisions		<u>13,151</u>	<u>(223,609)</u>	<u>12</u>
	<u>432,879</u>	TOTAL NET ASSETS			<u>343,377</u>	

Consolidated Balance Sheet continued on next page.

CONSOLIDATED BALANCE SHEET AT 31ST MARCH 2006

<u>2005</u>			<u>2006</u>		
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>	<u>Note</u>
		FINANCED BY :			
		RESERVES AND OTHER BALANCES			
7,891		Earmarked Reserves	8,685		13
366,263		Fixed Asset Restatement Account	303,112		14
118,042		Capital Financing Account	124,056		15
311		Deferred Capital Receipts	223		11
0		Government Grants Deferred	3,798		
1,463		Useable Capital Receipts Reserve	503		17
1,208		Capital Grants Unapplied	1,298		18
(83,900)		Pension Reserve	(117,700)		22
		Balances			
6,185		General Fund	5,270		16
3,700		Housing Revenue Account	1,855		
0		Major Repairs Reserve	1,160		
298		Competitive Services	372		13
556		Collection Fund Balance	321		
10,862		Other Balances	10,424		
	<u>432,879</u>	TOTAL RESERVES AND BALANCES		<u>343,377</u>	

M. Owen

M. OWEN C.P.F.A.
Director of Finance & E-Government
29 June, 2006

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. TANGIBLE FIXED ASSETS

Movements in respect of tangible 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>Investment Properties</u>	<u>Surplus 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 31st March 2005	355,330	216,957	1,852	33,924	370	30,452	437	639,322
Accumulated depreciation and impairment	(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	30,452	437	592,906
Movement in 2005/06								
Adjustments re prior years								
Gross Book Value	(59)	(5,280)	0	0	0	(1)	0	(5,340)
Depreciation	59	5,281	0	0	0	0	0	5,340
Additions	6,571	14,571	553	5,170	33	1,028	100	28,026
Disposals	(3,071)	(148)	0	0	0	(20)	0	(3,239)
Revaluations	(68,620)	(9,985)	(386)	(3,387)	(33)	(1,028)	(20)	(83,459)
Impairment	0	(705)	0	0	0	0	0	(705)
Depreciation – charge in year	(4,672)	(2,479)	(121)	(1,555)	0	0	0	(8,827)
Depreciation – re revaluations / disposals	23,545	96	0	0	0	0	0	23,641
Reclassification	0	0	0	0	0	0	0	0
Net Book Value at 31 March 2006	285,479	204,403	1,485	25,658	370	30,431	517	548,343
Gross Book Value at 31st March 2006	290,151	215,408	2,019	35,707	370	30,431	517	574,603
Accumulated depreciation at 31 March 2006	(4,672)	(11,005)	(534)	(10,049)	0	0	0	(26,260)

CONNEXIONS SERVICE

From the 23rd December 2005 the Greater Manchester Connexions Service transferred to Bury MBC and the value of the assets transferred as at year end is shown in the following table:

	<u>Council Dwellings</u>	<u>Other Land & Buildings</u>	<u>Vehicles, Plant & Equip</u>	<u>Infra-structure Assets</u>	<u>Community Assets</u>	<u>Investment Properties</u>	<u>Surplus 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>
Net Book Value at 31st March 2006	0	26	57	0	0	0	0	83
Gross Book Value at 31st March 2006	0	40	244	0	0	0	0	284
Accumulated depreciation at 31st March 2006	0	(14)	(187)	0	0	0	0	(201)

An impairment review was carried out in the year as required by FRS11. It resulted in an adjustment to the value recorded in the Fixed Assets register for an Elderly Persons Home that would need substantial adaptation to comply with current care standards. The downward revaluation in Council Dwellings results mainly from the significantly reduced valuation adjustment factor notified by Government.

The Authority has one foundation school (Peel Brow Primary School). This is not included within the consolidated balance sheet as the assets are not owned by the Authority for as long as it remains a foundation school. 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 Senior Asset Officer, Mr R Dewsnap (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>Community Assets</u>	<u>Investment Properties</u>	<u>Surplus 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 :	-	-	-	25,658	50	-	-	25,708
Valued at Current Value in :								
2005/2006	285,479	6,014	167	-	-	-	80	291,740
2004/2005	-	4,250	583	-	-	301	-	5,134
2003/2004	-	1,681	99	-	-	3,911	-	5,691
2002/2003	-	54,771	500	-	-	2,678	-	57,949
2001/2002 and prior	-	137,687	136	-	320	23,541	437	162,121
Total Tangible Fixed Assets	285,479	204,403	1,485	25,658	370	30,431	517	548,343

During 2005/06 the Authority's housing stock was revalued to £291,800,000.

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 and DEFERRED CHARGES

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

	<u>Purchased software licences</u> £000's	<u>Improvement Grants</u> £000's	<u>Other Deferred Charges</u> £000's	<u>Total</u> £000's
Original cost	2,036	0	0	2,036
Amortisation to 1 st April 2005	0	0	0	0
Balance at 1 st April 2005	2,036	0	0	2,036
Expenditure in year	2,116	1,973	3,065	7,154
Amortisation in year	(204)	-	-	(204)
Written off to Consolidated Revenue Account in year	-	(1,973)	(3,065)	(5,038)
Balance at 31 st March 2006	3,948	0	0	3,948

Expenditure in the year on software licences for new systems totalled £2.116m. The total cost of the software purchase will be written off over the 10 years representing the current estimate for its useful life.

'Deferred Charges' is the term used to describe expenditure of a capital nature which produces no tangible asset for Bury MBC.

This covers improvement and other grants, other private sector housing expenditure, and spend on Aided Schools.

This expenditure is written off to the appropriate service in the Consolidated Revenue Account in the year it is incurred.

3. LONG TERM DEBT MANAGED ON BEHALF OF OTHER LOCAL AUTHORITIES / SERVICES

The Balance Sheet reflects any writing off of the value of Debt managed for other services previously referred to as deferred charges.

	<u>Probation Service</u> £000's
Balance at 1st April 2005	28
Written off to Consolidated Revenue A/C	0
Balance at 31st March 2006	28

4. CAPITAL EXPENDITURE and FINANCING

	<u>2004/2005</u>	<u>2005/2006</u>
	<u>£000's</u>	<u>£000's</u>
<i>Opening Capital Financing Requirement</i>	<u>99,912</u>	<u>110,665</u>
<i>Capital Investment</i>		
Operational Assets	30,748	26,898
Non-operational Assets	595	1,128
Intangible Assets	2,036	2,116
Deferred Charges	<u>4,680</u>	<u>5,038</u>
	<u>38,059</u>	<u>35,180</u>
<i>Sources of Finance</i>		
Capital Receipts	(6,660)	(4,457)
Grants & Contributions	(10,083)	(10,281)
Sums set aside from Revenue including MRP	<u>(10,563)</u>	<u>(9,781)</u>
	<u>(27,306)</u>	<u>(24,519)</u>
<i>Closing Capital Financing Requirement</i>	<u>110,665</u>	<u>121,326</u>
<u><i>Explanation of movements in year</i></u>		
Increase in underlying need to borrow		
- supported by Government financial assistance	8,190	14,885
- unsupported by Government financial assistance	4,471	1,665
Expenditure unfinanced at year-end and MRP	<u>(1,908)</u>	<u>(5,889)</u>
<i>Increase (decrease) in Capital Financing Requirement</i>	<u>10,753</u>	<u>10,661</u>

At 31st March 2006 the Authority had authorised capital expenditure of **£43.714million** for 2006/2007 and had also identified a capital investment requirement of **£71.888million** for the following two years under the approved Capital Programme. Capital commitments as at 31st March 2006 totalled £8.402 million. Major commitments at 31st March 2006 include:

- Pimhole Renewal Area - £0.442m
- Radcliffe Riverside School - £2.668m
- Liveability Programme - £0.199m
- Expansion of Recycling scheme - £0.270m
- Housing Financial Assistance (including Disabled Facilities Grants) - £0.780m
- Empty Property Strategy/Clearance - £0.159m
- Business Investment programme - £0.173m
- Pimhole Road Project - £0.063m
- Local Safety and Traffic calming - £0.081m
- Townside Fields Development - £0.900m
- Local Transport Plan - £1.057m
- Housing Public Sector Schemes – £1.168m
- Parks and Countryside including Cleaner Safer Greener - £0.442m

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.

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>2005</u>	<u>2006</u>
<u>Children's Services</u>		
Nursery Schools	1	1
Primary Schools (Council owned)	63	29
Primary School playing fields (VA, VC etc)		24
Secondary Schools (Council owned)	14	11
Secondary School playing fields (VA, VC etc)		2
Special Education Establishments	4	4
<u>Highways & Transportation</u>		
Roads (km):		
Principal	55	55
Non Principal, Classified	70	70
Urban, Unclassified	535	476
Car Parks	66	64
<u>Leisure Facilities</u>		
Parks & Open spaces (area in hectatres)	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	9
<u>Arts, Libraries, Lifelong Learning</u>		
Art Gallery / Museum	1	1
Adult Education Centres	4	4
Libraries	7	9
Library / Adult centre	1	1
Library / Play Away Club	1	1
Library / Adult Education Centre / Youth Centre	1	1
Youth Centres	7	7
<u>Property Services</u>		
Dwellings	4	4
Small Lettings	1,175	1,151
Commercial Lettings	378	363
Farms, Grazing	24	24
Poster Sites	22	19
Market Shops & Stalls	525	482
Industrial Factory Units	204	203
Magistrates Court	1	1
<u>Adults Social Care</u>		
Children & Family Centres	2	4
Resource Centres	1	1
Elderly Persons Homes	7	7
Homes for Adults with Learning Disabilities	3	4
Learning Disability Day Centres	3	3
Day Care Centres	3	3
Admin Buildings	7	9
Non Operational	3	2
<u>Other Services</u>		
Cemeteries (area in hectares)	35	35
Public Conveniences	6	6

6 FINANCE & OPERATING LEASES

Authority as lessee - the Authority is committed to making payments of £1,410,245 under operating leases in 2006/2007 for Vehicles, Plant and Equipment and £2,882,430 for land and Buildings comprising the following elements:

	Land and Buildings	Vehicles, Plant and Equipment
	£	£
Leases expiring in 2006/2007	224,000	316,359
Leases expiring between 2007/2008 and 2011/2012	986,430	1,093,886
Leases expiring after 2011/2012	1,672,000	0
TOTAL	<u>2,882,430</u>	<u>1,410,245</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 £40,874,349. 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 2006.

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>2005</u> <u>£000's</u>	<u>2006</u> <u>£000's</u>
Manchester Airport Group PLC	10,214	10,214
Modesole Ltd	1	0
TOTAL	<u>10,215</u>	<u>10,214</u>

Manchester Airport Group plc – Bury has a 5% shareholding in Manchester Airport Group plc which is in common with all Greater Manchester Districts, other than Manchester City Council which holds 55%. The Company's most recent accounts for the year ending 31st March 2006 showed a profit before tax in 2005/06 of £87.7m compared to a profit of £101.3m for 2004/05 as re-stated. For 2005/06 profit after tax was £60.7m and in 2004/05 the profit after tax was re-stated at £74.0m. Net assets amounted to £793.1m at the 31st March 2006 (the re-stated figure at 31st March 2005 was £764.1m). Further information can be obtained from the Director of Finance, Manchester Airport (Tel. 0161-489-3000).

Modesole Ltd – As reported in last year's accounts, Bury MBC sold its entire 6.7% share holding in Modesole Ltd on 9th August 2005 and received sales proceeds of £521,686.78.

8. DEBTORS & LOAN ACCOUNTS

Long term debtors:	<u>2005</u> <u>£000's</u>	<u>2006</u> <u>£000's</u>
Car loans (employees)	1,230	1,011
Airport Terminal 1	8,875	8,382
Bury Metro Arts Association Ltd	32	32
Bury Music Centre	4	2
PWLB Premiums	149	128
Housing Loans	1,031	793
TOTAL	11,321	10,348
Short term debtors:		
General Fund:	26,156	25,156
Less provision for uncollectable sums	(2,656)	(2,682)
Advance payments	2,669	3,350
	26,169	25,824
Collection Fund:		
Council tax	3,742	4,005
Community charges	432	435
Business rates	1,345	1,332
Less provision for uncollectable sums	(2,718)	(2,880)
	2,801	2,892
TOTAL	28,970	28,716

9. LOANS OUTSTANDING, LONG & SHORT TERM

	<u>2004/2005</u> <u>£000's</u>	<u>2005/2006</u> <u>£000's</u>
Long term loans:		
PWLB loans:		
Bury	39,309	47,308
Airport	9,597	9,090
Market loans	29,000	29,000
Local bonds	3	3
TOTAL	77,909	85,401
Analysed by maturity period:-		
Short Term Loans Outstanding		
Within 1 year	507	2,260
Long Term Loans Outstanding		
1/2 years	2,260	287
2/3 years	287	1,316
3/4 years	6,316	348
4/5 years	348	2,234
5/6 years	2,234	388
6/10 years	4,446	4,811
10/15 years	2,758	2,005
15+ years	58,753	71,752
TOTAL	77,909	85,401

The PWLB debt at 31st March 2006 includes **£9.090 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>2004/2005</u> <u>£000's</u>	<u>2005/2006</u> <u>£000's</u>
Debt ex GMC – Tameside	9,169	8,884
Debt ex Probation Service – Trafford	28	27
Debt from Lancashire County Council	740	596
Debt ex Inner City Central Station - MCC	-	110
TOTAL	9,937	9,617

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.

Note also that debt relating to the Inner City Central Station (payable to Manchester City Council) was brought into the books of account in 2005/06. For comparison purposes, the value of this debt at 31st March 2005 was £113,752.

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 Children's Services provision is for schools improvements and includes an amount for the Area Child Protection Committee which was previously included as part of social services reserves. 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>2005</u> <u>£000's</u>	<u>Income</u> <u>£000's</u>	<u>Expenditure</u> <u>£000's</u>	<u>31st March</u> <u>2006</u> <u>£000's</u>
Liability insurance	(8,262)	(5,721)	2,475	(11,508)
Property insurance	(318)	(148)	72	(394)
Children's Services	(629)	(428)	518	(539)
Development Services	(272)	(9)	27	(254)
Other	(411)	(530)	485	(456)
TOTALS	(9,892)	(6,836)	3,577	(13,151)

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>2005</u>	<u>31st March</u> <u>2006</u>
	<u>£000's</u>	<u>£000's</u>
Airport Shares	884	569
Arts Reserve	16	20
Best Value Reserve	138	144
Education (Schools) Fire	197	89
Energy Conservation	186	199
Leisure	67	23
Adult Care Services	268	149
Computer Reserve	3,523	3,806
Capital Reserve	1,584	1,604
Area Board Reserve	118	107
Outwood Viaduct	40	49
School Catering Reserve	101	115
PWLB Discount	329	279
GM Connexions Partnership	0	602
BCCI Reserve	0	444
EDS	440	486
	7,891	8,685
Competitive Services	25	26
Commuted Sums	273	346
	298	372
Major Repairs Reserve	0	1160
TOTALS	8,189	10,217

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, although to date it 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 (Schools) 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.

Adult Care Services Reserves

The Adult Care Services Reserve (formerly social services reserve) comprises individual reserves for Learning Disability, a Primary Care Group Commissioning post, Inwood House, and mental health and transport refunds. The reserve for the Area Child protection Committee has been transferred to Children's Services provisions (see page 69).

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.

GM Connexions Partnership Reserve

This reserve is to fund future developments of the Connexions Service.

BCCI Reserve

This reserve is to fund future expenses arising from the collapse of BCCI.

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.

Commutated 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 53 for detail of movements during 2005/06).

Other Balances

Other balances used to finance our assets includes our 5% shareholding in Manchester Airport (£10.214m).

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.

Details of amounts applied in the year can be found in notes 3 and 4 of the Statement of Total Movements in Reserves.

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.

Details of amounts applied in the year can be found in note 5 of the Statement of Total Movements in Reserves.

16. **THE GENERAL FUND**

This Fund represents the balance of the revenue account surplus of **£5.270m** (including schools) as at 31st March 2006, although this amount is not wholly available to be spent at the Council's discretion.

	£000's
General Fund Balance 31st March 2006	5,270
Less amount available to schools	(4,660)
Available Balance 1st April, 2006	610

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 2005/2006 an under spending of **£4.660m** was contributed to the General Fund by schools and is carried forward to 2006/2007

It is the view of the Director of Finance and E-Government that prudence dictates a minimum balance of **£3.1m** is retained in the Fund to meet unforeseen eventualities, and the Revenue Budget for 2006/2007 reflects this.

As stated earlier, the directorate carry-forwards requests were included in the revenue outturn report which was considered by the Executive on 12 July, 2006.

17. **CAPITAL RECEIPTS UNAPPLIED**

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. Details of amounts applied in year are found in Note 2 of the Statement of Total Movements in Reserves. The table shows the balance available to meet capital expenditure for committed, on-going and new capital schemes in 2006/07 after pooled payments made in the year.

18. **CAPITAL GRANTS UNAPPLIED**

This represents amounts received from Government or other third parties for capital purposes that have not yet been applied to finance capital expenditure. The amounts applied in the year and the balances for those services where a proportion of the capital

grant has not been applied can be found in Note 2 of the Statement of Total Movements in Reserves

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 does not have any outstanding claims with MMI as at 31st March 2006.

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 **£1,823,759** 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 Modesole's sale of its shares in the Midland Hotel and 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.

As a result of the Council receiving a distribution of proceeds from the sale of its entire shareholding in Modesole Ltd, an indemnity was given to the buyer against any future liabilities arising in Modesole prior to the date of the sale. This indemnity is limited to the value of the sale proceeds received and will last for a period of 10 years from the date of sale, which was completed on 9 August 2005.

Six Town Housing (Arms Length Management Organisation)

The Council has been approached by Six Town Housing to provide a letter of indemnity in respect of its pension's liability. This requires the disclosure of what the cost of the pension liabilities would be as they are earned by employees irrespective of the fact that they may not be due and payable for many years. If a letter was not provided by the Council then Six Town Housing would not effectively be seen as a going concern and their Auditors would be unable to sign off the accounts.

The Council has agreed to be ultimately responsible for the liability of £721,000, which was the estimated value of the Funds net liabilities transferred to Six Town Housing on the Transfer Date (1 April, 2005). This amount was calculated by the actuary – Hymans Robertson – in accordance with the requirement to comply with FRS17. The Council has agreed to meet all contributions to retirement benefit schemes that are the responsibility of Six Town Housing in respect of both transferred and new staff by way of periodic management fee payments to them. The Council has also accepted responsibility for any liabilities of Six Town Housing in respect of transferred employees' early retirement which may arise subsequent to the Transfer Date. It will (in relation to those Transferred Employees who are members of the Local Government Pension Scheme) upon demand make such payments to the Administering Authority as are necessary to ensure the accrued benefits of the Transferred Employees, whilst in the service of the Council, are fully funded.

Equal Pay

Under the Equal Pay Act 1970 as modified by the Equal Pay Act(Amendment) Regulations 2003 employees have a right to claim compensation from their employer for failing to give equal pay for work of equal value.

The full extent of any such claims against the Council cannot currently be assessed. No provision has been made in the balance sheet for any potential liabilities.

20. 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.

	2005	2006
	£	£
John Kay	31,567	33,000
British Cotton Growers	94,243	98,647
Sidney Taylor Bequest	19,405	20,286
Mary Jones	11,824	12,360
Mayor's Charity Fund	20,482	25,929
Hollins Institute Education Fund	-	152,633
Others	53,676	55,510
Total	231,197	398,365
Represented by :-		
Investments	7,940	7,441
Cash	223,257	390,924
Total	231,197	398,365

21. 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 2005	31 Mar 2006
	£000	£000
Estimated Employer Assets (A)	297,700	363,400
Present Value of Scheme Liabilities	364,000	441,800
Present Value of Unfunded Liabilities	17,600	39,300
Total Value of Liabilities (B)	381,600	481,100
Net Pension Asset (A)-(B)	(83,900)	(117,700)

The liabilities show the long term underlying commitments that the authority has to pay in retirement benefits. The total liability of £481.1 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 £117.7 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 2006, 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 2005	31 Mar 2006
	% p.a.	% p.a.
Rate of Inflation	2.9	3.1
Rate of Increase in Salaries	4.4	4.6
Rate of Increase in Pensions	2.9	3.1
Proportion of employees opting to take a commuted lump sum	N/A	0.0
Rate for discounting scheme liabilities	5.4	4.9

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have taken the view that there is insufficiently reliable evidence to assume a level of take-up of the change in the pension scheme. Consequently the valuation of the Council's retirement benefit liabilities as at 31 March 2006 does not include any allowance for this change to the pension scheme.

Assets in the Council's Pension Fund 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 2005	Assets at 31 Mar 2005 £000	Proportion 31 Mar 2005 %	Long-term Return % 31 March 2006	Assets at 31 Mar 2006 £000	Proportion 31 Mar 06 %
Equities	7.7	201,600	67.7	7.4	238,100	65.5
Bonds	4.8	41,900	14.1	4.6	57,800	15.9
Property	5.7	30,100	10.1	5.5	33,800	9.3
Cash	4.8	24,100	8.1	4.6	33,700	9.3
TOTAL	6.9	297,700	100	6.5	363,400	100

**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.

2004/05		2005/06	
<u>£000's</u>		<u>£000's</u>	<u>Notes</u>
	Surplus/(deficit) for the year:-		
(1,161)	General Fund	(915)	1
(1,212)	Housing Revenue Account	(1,845)	1
(200)	Other Reserves	1,267	1
0	add back Movements on specific revenue reserves	0	
(2,573)	Total increase/(decrease) in revenue resources	(1,493)	
(3,067)	Increase/(decrease) in useable capital receipts	(960)	2
(805)	Increase/(decrease) in unapplied capital grants and contributions	90	2
(3,872)	Total increase/(decrease) in realised capital resources	(870)	
74,851	Gains/(losses) on revaluation of fixed assets	(59,927)	3
0	FARA other movements	15	
0	Impairment losses on fixed assets due to general changes in prices		
74,851	Total increase/(decrease) in unrealised value of fixed assets	(59,912)	
(8,649)	Value of assets sold, disposed of or decommissioned	(3,239)	4
6,660	Capital receipts set aside	4,457	5
1,436	Revenue resources set aside	889	5
0	Movement on Government Grants Deferred	3,798	5
6,274	Other movements on the capital financing account	(2,807)	5
(135)	Movement on Major Repairs Reserve	3,475	5
14,235	Total increase/(decrease) in amounts set aside to finance capital investment	9,812	
(56,266)	Increase/(Decrease) on the pensions reserve	(33,800)	1
17,726	Total recognised gains and losses	(89,502)	

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 2005/06	(1,434)	(1,845)	1,077	
Appropriations (to)/from revenue	519		190	(4,184)
Actuarial gains and (losses) relating to pensions				(32,100)
Pension Contribution Adj and Unfunded				2,484
	(915)	(1,845)	1,267	(33,800)
Balance brought forward at 1 April 2005	6,185	3,700	19,918	(83,900)
Balance carried forward at 31 March 06	5,270	1,855	21,185	(117,700)

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

2. MOVEMENTS IN REALISED CAPITAL RESOURCES

	Usable Capital Receipts £000's	Unapplied capital grants and contributions £000's
Amounts receivable in 2005/06	6,719	10,504
Pooling of Housing Receipts for the year	(3,222)	
Amounts applied to finance new capital investment in 2005/06	(4,457)	(10,281)
Reclassified as applied revenue		(133)
Total increase/(decrease) in realised capital resources in 2005/06	(960)	90
Balance brought forward at 1 April 2005	1,463	1,208
Balance carried forward at 31 March 06	503	1,298

Further detail with regards to capital receipts and capital grants and contributions can be seen in notes 17 and 18 to the consolidated balance sheet.

3. MOVEMENTS IN UNREALISED VALUE OF FIXED ASSETS

	Fixed Asset Restatement Account £000's
Gains/(losses) on revaluation of fixed assets in 2005/06	(59,927)
Impairment losses on fixed assets due to general changes in prices in 2005/06	
FARA other movements	15
Total increase/(decrease) in unrealised capital resources in 2005/06	(59,912)

4. VALUE OF ASSETS SOLD, DISPOSED OF OR DECOMMISSIONED

Amounts written off fixed asset balances for disposals in 2005/06	(3,239)
Total movement on account in 2005/06	(63,151)
Balance brought forward at 1 April 2005	366,263
Balance carried forward at 31 March 2006	303,112

Further detail with regards to the Fixed Assets Restatement Account can be found in note 14 to the consolidated balance sheet.

5. MOVEMENTS IN AMOUNTS SET ASIDE TO FINANCE CAPITAL INVESTMENT

	Capital financing account (CFA) £000's	Capital Contributions deferred (CCD) £000's	Total £000's
Total capital receipts applied in 2005/06	4,457		4,457
Revenue resources set aside in 2005/06:-			
capital expenditure financed from revenue	2,343		
reconciling amount for provisions for loan repayment	-1,454		
Total revenue resources set aside in 2005/06	889		889
Movements on CCD capital grants:-			
Grants applied to capital investment in 2005/06		1,869	
Amounts credited to the asset management revenue account in 2005/06		-69	
Transfer from CFA to set up account		1,998	
Movement on Capital Contributions Deferred		3,798	3,798
Movements on CFA capital grants:-			
Set up Capital Contributions Deferred Account in 2005/06	-1,998		0
Grants applied to capital spend in 2005/06	8,412		
Amounts credited to the asset management revenue account in 2005/06	-4,672		
Movement on CFA	1,742		1,742
Movement on MRR	3,475		3,475
Other movements on CFA:-			
Use of Provisions and other contributions	489		
Capital spend not creating a Bury MBC asset	-5,038		
Other movements on the capital financing account	-4,549		-4,549
Total increase/(decrease) in amounts set aside to finance capital investment			9,812
Total movement on Account in 2005/06	6,014	3,798	
Balance brought forward at 1 April 2005	118,042	0	118,042
Balance carried forward at 31 March 2006	124,056	3,798	127,854

Further information with regards to the Capital Financing Account can be found in note 15 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 March, 2005</u> £000's	<u>Year to 31 March, 2006</u> £000's
Surplus/ (deficit) at beginning of the year	(10,934)	(83,900)

Current Service Cost	(11,400)	(12,400)
Employer contributions	7,433	8,400
Contributions in respect of Unfunded Benefits	1,300	2,600
Other income	-	-
Other outgoings (e.g. expenses, etc)	101	-
Past service costs	(1,200)	(800)
Impact of settlements and curtailments	(0)	800
Net return on assets	3,200	(300)
Actuarial gains/ (losses)	(72,400)	(32,100)
Surplus/ (deficit) at end of year	(83,900)	(117,700)

The actuarial loss of £32.1 million, identified as movements on the Pensions Reserve in 2005/06 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities:

	31 March, 2005		31 March, 2006	
	£000	%	£000	%
Actual return less expected return on pension scheme assets	13,700	4.6	46,600	12.8
Differences between actuarial assumptions about liabilities and actual experience	(23,000)	(6.0)	(22,300)	(4.6)
Changes in financial assumptions underlying the present value of scheme liabilities	(63,100)	0	(56,400)	0
Actuarial gain/ (loss) recognised in STRGL	(72,400)	(19.0)	(32,100)	(6.7)

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>2004/2005</u> <u>£000's</u>		<u>2005/2006</u> <u>£000's</u>	<u>£000's</u>
	<u>REVENUE ACTIVITIES</u>		
172,347	Cash Outflows: Cash Paid to and on behalf of Employees	180,504	
179,468	Other Operating Cash Payments	182,393	
15,212	Housing Benefit paid out	16,757	
33,352	NNDR payments to National Pool	35,265	
8,186	Precepts paid	8,767	
408,565			423,686
(20,879)	Cash Inflows: Rents (after Rebates)	(21,372)	
(56,021)	Council Tax Receipts	(56,450)	
(50,513)	NNDR Receipts from National Pool	(60,457)	
(34,304)	Non-Domestic Rate Receipts	(35,497)	
(86,339)	Revenue Support Grant	(84,589)	
(25,003)	DWP Grants for Benefits	(26,188)	
(40,372)	Other Government Grants	(44,957)	
(99,732)	Cash Received for Goods and Services	(101,673)	
(413,163)			(431,183)
(4,598)	NET CASH INFLOW FROM REVENUE ACTIVITIES		
	<u>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</u>		
3,740	Cash Outflows: Interest Paid		2,947
(1,442)	Cash Inflows: Interest Received		(785)
2,298			2,162
(2,300)			(5,335)
	<u>ACQUISITIONS AND DISPOSALS</u>		
0	Sale proceeds from Modesole		(694)
			(694)
	<u>DIVIDENDS FROM JOINT VENTURES AND ASSOCIATES</u>		
(825)	Airport Dividend Received		(1,250)
			(1,250)
	<u>CAPITAL ACTIVITIES</u>		
33,379	Cash Outflows: Purchase of Fixed Assets	28,026	
0	Purchase of Long Term Investments	0	
5,453	Payments to Housing Capital Receipts Pool	3,222	
38,832			31,248
(9,046)	Cash Inflows: Proceeds of Sale of Fixed Assets	(6,719)	
(7,463)	Capital Grants received	(10,504)	
22,323			(17,223)
19,198			14,025
			6,746
	<u>MANAGEMENT OF LIQUID RESOURCES</u>		
(18,250)	Net Increase/Decrease in Short Term Deposits		950
			7,696
	948 NET CASH OUTFLOW BEFORE FINANCING		

The Cash Flow Statement continues 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			
8,213	Long Term loans repaid	5,507		
0	Short Term loans repaid	27,800	33,307	
8,213				
(664)	Cash Inflows:			
(7,998)	Net Receipts from Long Term Debtors	(976)		
0	New Long Term Loans	(13,000)		
	New Short Term Loans	(27,800)		
(8,662)			(41,776)	
(449)				(8,469)
499	NET INCREASE IN CASH			(773)

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>2004/2005</u> <u>£000's</u>	<u>2005/2006</u> <u>£000's</u>	<u>£000's</u>
1,161 DEFICIT FOR THE YEAR ON REVENUE ACCOUNT		1,434
Non Cash Movements in Revenue Account:		
(8,236) Provision for Depreciation	(9,627)	
3,080 Other Provisions	3,259	
(2,371) Minimum Revenue Provision	(2,997)	
3,204 Contributions from / (to) Revenue Reserves	1,486	
(4,131) Other non-cash Movements	(686)	
(8,454)		(8,565)
Movements in Current Assets and Liabilities:		
681 Increase / (Decrease) in Stock	(288)	
3,635 Increase / (Decrease) in Revenue Debtors	(63)	
(148) (Increase) / Decrease in Revenue Creditors & Advance Receipts	203	
4,168		(148)
Items shown elsewhere in the Cash Flow Statement:		
(3,740) Interest Paid	(2,947)	
1,442 Interest Received	785	
825 Dividend Income	1,250	
0 Investment Income	694	
(1,473)		(218)
(4,598) NET CASH INFLOW FROM REVENUE ACTIVITIES		(7,497)

2. ANALYSIS OF NET DEBT

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

	<u>31st March</u> <u>2005</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>2006</u> <u>£000's</u>
Cash Overdrawn	(7,400)	(40,208)	40,914	0	(6,692)
Cash in Hand	1,692	65	0	0	1,757
Debt Due Beyond One Year	(77,402)	(13,000)	5,507	1,753	(83,142)
Debt Due Within One Year	(507)	0	0	(1,753)	(2,260)
Long Term Debtors	11,352	(976)	0	0	10,376
Current Asset Investments	5,650	950	0	0	6,600
TOTALS	(66,615)	(53,167)	46,421	0	(73,361)

3. RECONCILIATION OF NET DEBT

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

<u>2004/2005</u> <u>£000's</u>	<u>2005/2006</u> <u>£000's</u>
(499) (Increase)/ Decrease in Cash Overdrawn in the Year to 31 st March	773
(449) (Increase)/Decrease in Debt	(8,469)
(18,250) Increase/(Decrease) in Investments	950
<u>(19,198) Change in Net Debt</u>	<u>(6,746)</u>
(47,417) Net Debt at 1 st April	(66,615)
(66,615) Net Debt at 31 st March	(73,361)
<u>(19,198) Movement in Net Debt</u>	<u>(6,746)</u>

4. ANALYSIS OF GOVERNMENT GRANTS

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

<u>2004/2005</u> <u>£000's</u>	<u>2005/2006</u> <u>£000's</u>
15,942 Housing Benefits	16,464
9,061 Council Tax Benefits	9,724
2,167 Children's Social Care	2,751
19,229 Education Grants	22,058
7,437 Adult Care Services	7,254
26 Probation	0
1,298 SRB/ERDF	2,447
6,913 Supporting People	6,944
3,302 Other Grants	3,503
<u>65,375 TOTAL</u>	<u>71,145</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>2005</u> <u>£000's</u>	<u>31st March</u> <u>2006</u> <u>£000's</u>	<u>Movement</u> <u>£000's</u>
Bank Overdraft	(7,400)	(6,692)	(708)
Cash in Hand and at Bank	1,692	1,757	(65)
TOTALS	<u>(5,708)</u>	<u>(4,935)</u>	<u>(773)</u>

GROUP ACCOUNTS

THE GROUP ACCOUNTS

1. Introduction

The Accounting Code of Practice requires that where an authority has material financial interests and a significant level of control over one or more entity, it should prepare Group Accounts. The group financial statements required include the group income and expenditure account, balance sheet, cash flow statement and statement of total movement in reserves; these are shown on the following pages. The aim of these statements is to give an overall picture of the authority's financial activities and the resources employed in carrying out those activities. There are no significant effects due to group consolidation.

2. Inclusion of Organisations within the Group Accounts

The authority has group relationships with two organisations over which it has varying degrees of control or influence.

Six Town Housing has been included in the group accounts and details of the authority's shareholdings, degree of commitment to the organisation and other financial transaction details are given in explanatory note 1 to the group balance sheet on page 93.

The other group relation that has not been included in the group accounts is between Bury MBC and Ask Ltd. The joint venture – AskBury - was created in December 2004 and apart from the initial exchange of £20 at the company formation no further transactions have occurred as at 31 March 2006.

3. Basis of Consolidation

Six Town Housing has been identified as a subsidiary of Bury MBC and as such its financial statements have been consolidated on a line by line basis to comply with FRS 2 – acquisition accounting.

The acquisition accounting basis for consolidation has been used as Bury MBC, the parent company, has taken 100% control of the subsidiary. In order to create the subsidiary, part of the authority has been externalised and therefore at the formation of the company the assets and liabilities were transferred at fair value which did not give rise to good will.

The date of incorporation was 30 October 2003 and trading began on 1 April 2005.

Six Town Housing's financial year runs, the same as Bury MBC's, from 1 April 2005 to 31 March 2006, therefore no adjustments are required regarding the accounting year.

4. Accounts

Six Town Housing's Statement of Accounts 2005/06 have been audited by PKF (uk) and were submitted to their Audit and Standards Committee on Thursday 22 June 2006, followed by the Board and AGM meeting on 5 July 2006 for approval.

Copies of Six Town Housing Ltd 2005/06 Statement of Accounts can be obtained from Six Town Housing Finance Department, Point Blue, Moor Street, Bury BL9 5AQ.

GROUP INCOME AND EXPENDITURE ACCOUNT 2005/06

This statement sets out the income and expenditure relating to the authority and its subsidiaries as a whole, together with any appropriations to reserves.

<u>2004/2005</u>		<u>2005/2006</u>			<u>Notes</u>
<u>Net</u>		<u>Gross</u>	<u>Income</u>	<u>Net</u>	
<u>Expenditure</u>		<u>Expenditure</u>		<u>Expenditure</u>	
<u>£000's</u>		<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	
	Continuing Services				
2,616	Central Services to the Public	31,892	(29,056)	2,836	
2,491	Non-Distributed Costs	2,118	(834)	1,284	
834	Court Services	285	0	285	
19,863	Cultural, Environmental & Planning Services	43,940	(18,300)	25,640	
100,319	Education Services	181,420	(72,344)	109,076	
16,651	Highways, Roads & Transport Services	28,348	(10,276)	18,072	
3,794	Housing Services	40,220	(42,301)	(2,081)	
46,647	Social Services	85,692	(35,591)	50,101	
4,402	Corporate & Democratic	4,814	145	4,959	
6,693	Levies	0	0	0	
482	Other Operating Inc & Exp.	677	(510)	167	
204,792	NET COST OF SERVICES	419,407	(209,067)	210,339	
(3,200)	(Surplus)/Deficits on Trading Operations			2,157	
(2,334)	Pensions Interest Cost and Expected Return on Pensions Assets			294	
4,580	Interest Payable			4,759	
(29)	Gain on repurchase of borrowing			(29)	
5,438	Contribution to Housing Pooled Capital Receipts			3,222	
	Investment Income			(694)	
(1,442)	Interest Receivable			(924)	
0	Taxation of the group			26	
207,805	NET OPERATING EXPENDITURE			219,150	
(1,212)	Transferred to HRA balances			(1,845)	
(851)	Transfer to / (from) Other Earmarked Reserves			190	
(1,967)	Movement on Pensions Reserve			(4,184)	
2,202	Capital Expenditure Financed from Revenue			2,343	
(5,453)	Transfer from Usable Capital Receipts equal to Housing Pooled Capital Receipts			(3,222)	
(4,684)	Deferred Charges			(5,038)	
(766)	Provision for repayment of external loans			(1,454)	
0	Transferred to Group Income & Expenditure Reserve			625	
195,089	AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXATION			206,565	
(56,578)	Council Tax			(59,682)	
(86,339)	Revenue Support Grant			(84,589)	
(50,658)	Contribution from Non-Domestic Rate Pool			(60,610)	
(353)	Collection Fund Surplus			(250)	
1,161	NET (SURPLUS)/ DEFICIT			1,434	

M. Owen

M. OWEN C.P.F.A.

Notes to the Group Income & Expenditure Account

1. Subsidiary Income and Expenditure

The operating expenditure and income of Six Town Housing has been included within "Housing Services".

2. Amount to be met from Government Grant and Local Taxes

This is the same amount as that disclosed in the single entity consolidated revenue account of Bury MBC.

3. Adjustment of accounting policies

The financial statements produced by individual group entities have to be re-aligned in order to ensure consistent accounting policies in the preparation of the Group Statements. The accounting policies followed in the authority's primary financial statements (pages 32 to 36) have to be adjusted to comply with UK GAAP, which differs in a number of areas from the 2005 SORP. The following areas have been examined and adjustments have been made where required:

- a. Profit or loss on disposal of fixed assets are included in the figures for the appropriate service in the Group Income and Expenditure Account. They are subsequently netted out to ensure there is no impact on the amount to be raised from council tax. All fixed assets were disposed of at fair value, so no profit or loss resulted on disposal.
- b. Removal of notional interest charges from all services has occurred in the Group Income and Expenditure Account. Where notional interest charges have been disaggregated and redistributed across the authority in trading accounts recharges, these have been identified and removed. Charges to services for the use of fixed assets cover depreciation only.
- c. Government Grants deferred which have been amortised in the year have been allocated to the individual services in the "net cost of services" in the Group Income and Expenditure Account.
- d. External interest payable is included in the Group Income and Expenditure Account and replaces the asset management revenue account. This is due to the removal of notional interest and the separation of government grants deferred.
- e. Fixed assets held by the group entities which fall within the asset categories covered by the authority's own accounting policies are valued in line with the authority's accounting policies where material.

GROUP BALANCE SHEET AS AT 31 MARCH 2006

The Group Balance Sheet summarises the financial position of the authority and its subsidiaries as a whole. It shows the value of the group assets and liabilities at the end of the financial year.

<u>31 MARCH 2005</u>		GROUP CONSOLIDATED BALANCE SHEET		<u>31 MARCH 2006</u>			
<u>£'000</u>	<u>£'000</u>			<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>Note</u>
		FIXED ASSETS					
		Intangible Fixed Assets					
		Goodwill		0			
2,036		Other Intangible assets		3,948	3,948		
		Tangible Fixed Assets					
		Operational Assets:					
331,726		Council Dwellings		285,479			
203,052		Other Land & Buildings		204,403			
1,439		Vehicles & Plant		1,497			
25,430		Infrastructure Assets		25,658			
370		Community Assets		370			
30,889		Non-Operational Assets:		30,948	548,355		
	594,942	TOTAL FIXED ASSETS				552,303	
		DEFERRED CHARGES					
29	29	Improvement Grants/Other			29	29	
		LONG TERM INVESTMENTS					
10,214		Manchester Airport PLC			10,214		
1	10,215	Other			0	10,214	
		LONG TERM DEBTORS					
11,349		Loan Accounts			10,348		
3	11,352	Debt Managed on Behalf of Other Local Authorities			0	10,348	
		CURRENT ASSETS					
1,395		Stocks & Work in Progress		1,107			
5,650		Short Term Investments		6,600			
28,970		Sundry Debtors & Advance Payments		25,957			
1,692	37,707	Cash in Hand		5,373	39,037		
		LESS : CURRENT LIABILITIES					
(507)		Short Term Loans Outstanding		(2,261)			
(192)		Deposits & Clients' Funds		(211)			
(32,107)		Sundry Creditors & Advance Receipts		(35,146)			
(7,400)	(40,206)	Cash Overdrawn		(6,692)	(44,310)		
	(2,499)	NET CURRENT LIABILITIES				(5,273)	
	614,010	TOTAL ASSETS LESS CURRENT LIABILITIES				567,621	
		LESS: LONG TERM LIABILITIES					
		Loans Outstanding					
(77,402)		External			(83,141)		
(9,937)		Deferred Liabilities			(9,617)		
(83,900)		Pension Liability			(118,688)		
(9,892)	(181,131)	Provisions			(13,151)	(224,597)	
	432,879	TOTAL NET ASSETS				343,024	
-	-					-	-

<u>31 MARCH 2005</u>		GROUP CONSOLIDATED BALANCE SHEET	<u>31 MARCH 2006</u>			Note
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	
-						-
		FINANCED BY :				
		RESERVES AND OTHER BALANCES				
7,891		Earmarked Reserves		8,685		
366,263		Fixed Asset Restatement Account		303,112		
118,042		Capital Financing Account		124,056		
0		Government Grants Deferred		3,798		
1,463		Useable Capital Receipts Reserve		503		
1,208		Capital Grants Unapplied		1,298		
311		Deferred Capital Receipts		223		
(83,900)		Pension Reserve		(117,700)		
		Balances				
6,185		General Fund		5,270		
3,700		Housing Revenue Account		1,855		
0		Major Repairs Reserve		1,160		
298		Competitive Services		372		
556		Collection Fund Balance		321		
10,862		Other Balances		10,070		
	<u>432,879</u>	TOTAL RESERVES AND BALANCES		<u>343,024</u>		

M. Owen

M. OWEN C.P.F.A.
Director of Finance & E-Government
29 June, 2006

Notes to the Group Balance Sheet

1. Goodwill

No goodwill arose in respect of the subsidiary as Bury MBC set up the company and received an interest in the company equal to the fair value of assets transferred to it upon formation.

2. Fixed Assets

Six Town Housing's fixed assets are included as a tangible asset and are valued at historical cost, the same as the assets of Bury MBC.

3. Six Town Housing - wholly owned subsidiary

Nature of the Business: Six Town Housing was set up to manage and maintain the housing stock of Bury MBC. Six Town Housing has no share capital and is wholly owned by the authority. Bury MBC has a 100% interest in Six Town Housing, a company which is limited by guarantee.

Percentage of Total Shareholding: The composition of the Board and the voting rights is as follows:

	Members	% of voting Rights
Bury MBC	5	29.4%
Tenant	7	41.2%
Independent	5	29.4%

The related party transaction between Council Members on the board of Six Town Housing and Bury MBC are detailed in Bury MBC Statement of Accounts Note 17 page 47.

Bury MBC's Commitment: Six Town Housing is the wholly owned subsidiary of Bury MBC. The Council is therefore committed that in the event of Six Town Housing being wound up to contribute up to the limit of the guarantee. After the satisfaction of all the debts and liabilities the remaining assets will be transferred to the Council's Housing Revenue Account.

Financial Transactions and Operations: In 2005/06 Six Town Housing made a net operating surplus of £0.624m. However after taking into account the pensions liability to comply with FRS 17 "accounting for pension costs" of £0.977m, a total recognised loss of £0.353m was recorded.

Bury MBC paid management fees of £12.2 million in 2005/06 to Six Town Housing for the management of its housing stock. The authority also provides a number of support services to Six Town Housing for which charges were made in the year totalling £11.2 million. Six Town Housing charged the authority £0.7m for services provided to the Authority.

GROUP STATEMENT OF TOTAL MOVEMENT IN RESERVES 2005/06

The statement shows the movements in the reserves held by the authority and its subsidiaries for 2005/06.

GROUP STATEMENT OF TOTAL MOVEMENT IN RESERVES	FARA	Useable Capital Receipts	CFA	Other Capital Resources	Deferred Credits	General Fund	Earmarked Reserve	Pension Reserve	Collection Fund	Major Repairs Reserve	HRA Balance	Total Reserves
BURY MBC												
£'000												
Balance B/Fwd as at 1 April 2005	366,263	1,463	118,042	1,208	311	6,185	19,051	(83,900)	556	0	3,700	432,879
Net Surplus / Deficit for year				3,888		(915)	430	(33,800)	(235)	1,160	(1,845)	(31,318)
Movement in realised capital resources		(960)			(88)							(1,048)
Unrealised Gains / Losses on revaluation of Fixed Assets	(59,912)											(59,912)
Impairment losses arising from Revaluations												0
Effects of disposals of Fixed Assets	(3,239)											(3,239)
Financing of Fixed Assets			6,014									6,014
Balance as at 31 March 2006	303,112	503	124,056	5,096	223	5,270	19,481	(117,700)	321	1,160	1,855	343,377
SUBSIDIARY - SIX TOWN HOUSING												
£'000												
Balance B/Fwd as at 1 April 2005							0					
Net Surplus / (Deficit) for year							(353)					(353)
Balance as at 31 March 2006							(353)					(353)
TOTAL GROUP RESERVES	303,112	503	124,056	5,096	223	5,270	19,127	(117,700)	321	1,160	1,855	343,024

GROUP CASH FLOW STATEMENT 2005/06

The Group Cash Flow Statement summarises the cash flows of the authority and its subsidiaries during the year.

<u>2004/2005</u>	Cash Flow Statement	<u>2005/06</u>	
<u>£000's</u>		<u>£000's</u>	<u>£000's</u>
	Net Cash Inflow from Revenue Activities		
(4,598)	Net Cash (Inflow) / Outflow		(11,013)
(825)	Dividends from Joint Ventures and Associates		(1,250)
	Returns on Investments and Servicing of Finance		
	Cash Outflows		
3,740	Interest paid	2,947	
	Finance lease interest paid	<u>0</u>	2,947
	Cash Inflows		
(1,442)	Interest received	(924)	
	Dividends received from investments	<u>0</u>	(924)
0	Taxation		26
	Capital Expenditure and Financial Investment		
	Cash Outflows		
33,379	Purchase of fixed assets	28,039	
0	Purchase of long-term investments	0	
5,453	Other capital cash payments	<u>3,222</u>	31,261
38,832			
	Cash Inflows		
(9,046)	Sale of fixed assets	(6,719)	
(7,463)	Capital grants received	(10,504)	
0	Other capital cash receipts	<u>0</u>	(17,223)
(16,509)			
0	Acquisitions and Disposals		(694)
20,023	Net Cash Inflow before Financing		3,130
	Management of Liquid Resources		
(18,250)	Net increase/decrease in short term deposits		950
	Financing		
	Cash Outflows		
8,213	Repayment of amounts borrowed	33,307	
	Capital element of finance lease rental payments	<u>0</u>	33,307
	Cash Inflows		
	Net Receipts from Long Term Debtors	(976)	
(8,662)	Long term loans raised	(40,800)	(41,776)
499	Net Decrease in Cash		(4,389)

Notes to the Group Cash Flow Statement

1. Reconciliation of the deficit in the group Income and Expenditure Account to the revenue activities net cash flow

2004/2005 £000's	GROUP RECONCILIATION OF REVENUE CASH FLOW	2005/2006	
		£000's	£000's
1,161	DEFICIT FOR THE YEAR ON REVENUE ACCOUNT		1,434
	Six Town Housing Surplus		(505)
	Non Cash Movements in Revenue Account:		
(8,236)	Provision for Depreciation	(9,627)	
3,080	Other Provisions	3,259	
(2,371)	Minimum Revenue Provision	(2,997)	
3,204	Contributions from / (to) Revenue Reserves	1,486	
(4,131)	Other non-cash Movements	(703)	
(8,454)			(8,582)
	Movements in Current Assets and Liabilities:		
681	Increase / (Decrease) in Stock	(288)	
3,635	Increase / (Decrease) in Revenue Debtors	548	
(148)	(Increase) / Decrease in Revenue Creditors & Advance Receipts	(3,402)	
4,168			(3,142)
	Items shown elsewhere in the Cash Flow Statement:		
(3,740)	Interest Paid	(2,947)	
1,442	Interest Received	785	
825	Dividend Income	1,250	
	Investment Income	694	
(1,473)			(218)
(4,598)	NET CASH INFLOW FROM REVENUE ACTIVITIES		(11,013)