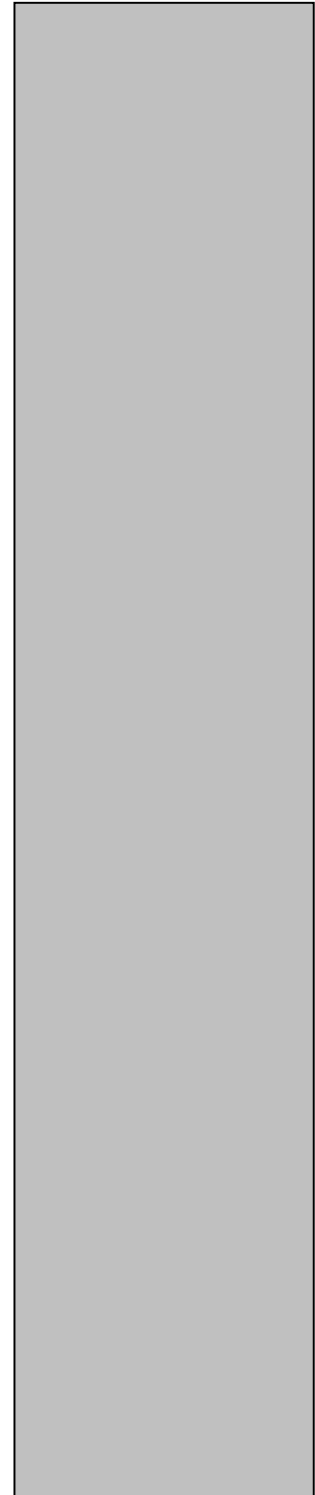


STATEMENT OF
ACCOUNTS
2006/2007



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Introduction by Councillor Peter Redstone, Executive Member for Quality Council (Resource and Performance)

I am pleased to welcome you to the Council's Statement of Accounts for 2006/07.

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 to a wide range of interested parties on the Council's financial performance. They show how we've spent our money, how we've performed against our budget and how we've invested in our assets. As far as Use of Resources is concerned, the Council has been rated by the Audit Commission as 'Performing Well'.

The difference between what we spent and what we planned to spend is less than 1% of our total budget and given our gross revenue expenditure is 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 by bringing together the regular reporting of budget and service performance information to make clearer the links between spending and outcomes and we are utilising risk management techniques to direct attention to the areas that require most attention. A medium-term budget strategy has been developed that will 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. I am determined that this trend will continue and that financial prudence will be the watchword of the Council.

Finally I would like to take this opportunity to thank all of the Council's Members and officers who have played a part in the production of these Accounts and who have contributed to the sound financial performance that they demonstrate. In 2006/07 the budget was overseen by Councillor Connolly, the Executive Member for Quality Council (Resource and Performance) at that time. 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 Peter Redstone
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, 28 June, 2007.

Signed on behalf of Bury Metropolitan Borough Council:

D Higgin
Chair of the Audit Committee
28 June, 2007

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**.

The charge in 2006 / 07 represents:

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 of an asset. It is charged to revenue on a straight-line basis on all depreciable assets based on an assessment of the remaining life of the asset.

Until 2005 / 06 capital charges included a second element known as **Notional Interest**, which was 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. Notional Interest ceased to be a requirement with the 2006 Statement of Recommended Practice.

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 income and expenditure 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 TRANSACTIONS

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 2006 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 2006 to 31st March 2007** along with details of the assets and liabilities of the Council at **31st March 2007**. Wherever it is relevant the corresponding figures for the last financial year, 2005/2006, are also shown for comparison. Briefly, the purpose of the individual statements is as follows:-

THE INCOME AND EXPENDITURE ACCOUNT

brings together all of the functions of the authority and summarises all of the resources that the authority has generated, consumed or set aside in providing services during the year. Further details can be found on page 43.

STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE

reconciles the outturn on the Income and Expenditure Account with the General Fund Balance. This Statement and the Income and Expenditure Account replace the Consolidated Revenue Account.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

brings together all the gains and losses of the authority for the year and shows the aggregate movement in its net worth.

THE BALANCE SHEET

shows the financial position of the Authority at 31st March 2007 with regards to its assets, liabilities, reserves and balances.

THE CASH FLOW STATEMENT

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

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 GROUP ACCOUNTS

show the Group Income and Expenditure Account, Reconciliation of the Single Entity Income and Expenditure Account Surplus or Deficit to the Group Income and Expenditure Account Surplus or deficit, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet and Group Cash Flow Statement 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 2006 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 July 2006, by **£2.083m**. 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 2007 the borough's schools had accumulated a total underspending against their budget of **£7.368m**, of which £5.931m is in respect of mainstream school budgets (including £0.463m central spend of the Dedicated Schools Grant), and £1.437m relating to Standards Fund grants which are not required to be spent until 31 August, 2007. 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 2007/2008 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 2007/2008 their underspendings up to a limit that is the greater of 1% of their net budget or £50,000. However, the **total** value of any overspendings must be carried forward. The directorate carry-forwards requests are included in the revenue outturn report which will be considered by the Executive on 12 September, 2007.

Detailed Outturn and variation reports will be submitted to the Resource & Performance Scrutiny Panel on 23 July, 2007 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 2006/2007 was: -

	<u>Revised Estimate £000's</u>	<u>Actual £000's</u>	<u>Difference £000's</u>
Net cost of Bury services	117,432	115,349	(2,083)
Precepts :-			
Police	6,525	6,525	0
Fire	2,735	2,735	0
TOTAL NET EXPENDITURE	126,692	124,609	(2,083)
Financed from:-			
Revenue Support Grant	9,167	9,167	0
Business Rates Pool	47,489	47,489	0
Council Tax	72,434	72,434	0
Collection Fund	250	250	0
(SURPLUS) / DEFICIT	(2,648)	(4,731)	(2,083)

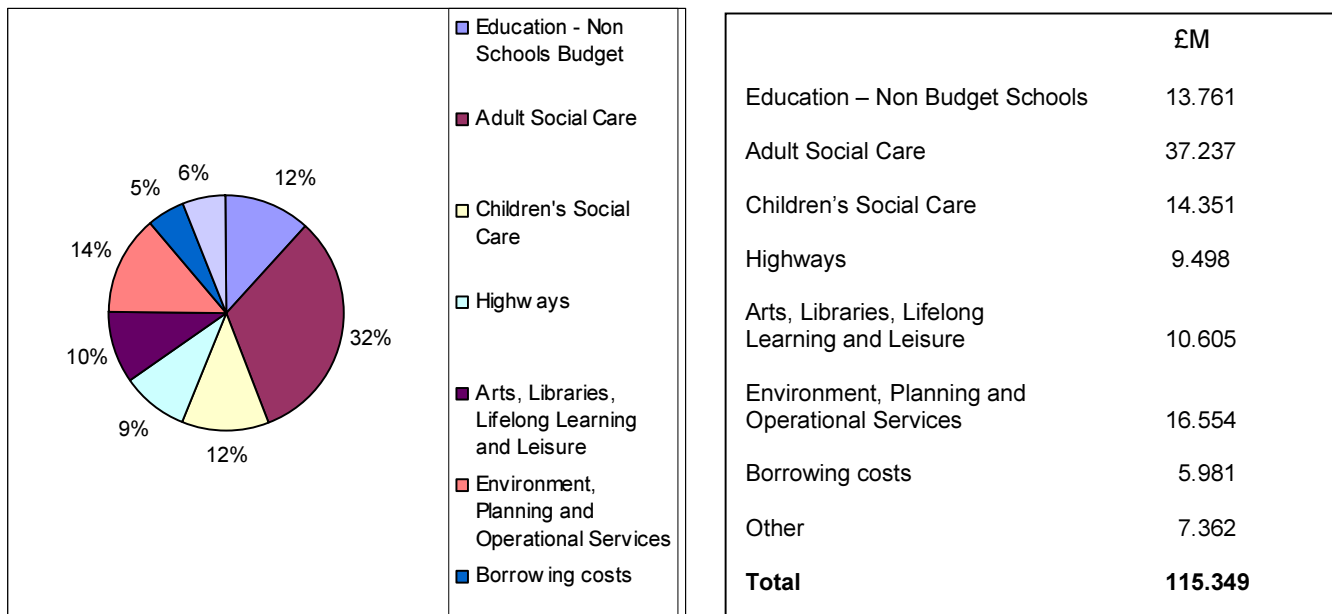
The **£2.648million** surplus shown at Revised Estimate includes contributions to general fund balances of £3.193m and is offset by £0.545m of specific carry forward requests.

The Corporate Revenue Outturn Report which will be considered by the Executive on 12 September, 2007 details the overall performance of the Council in 2006/2007.

Major Variances included:

<u>Area of Saving</u>	<u>£000's</u>
Environmental and Development Services	(87)
Adult Care Services	745
Passenger Transport	(207)
Housing	(250)
Education – Non Schools Budget	(286)
Children's Social Care	(1,682)
Chief Executive's	(180)
Other Variances	(136)
Total	(2,083)

The Council spent £115.349m (excluding precepts) in 2006/07 as follows



CAPITAL OUTTURN

Total Capital Expenditure in the year was **£32.287million** from a revised Capital Programme of **£55.061million**. In addition to the revised allocation figure Bury's Voluntary Aided schools received £1.774m from the Department for Education and Skills for the modernisation of their schools. The variance between the revised programme and expenditure figures is represented by slippage of schemes into the next financial year. Details of variances are given in the table below.

For information on how Capital Expenditure was financed, refer to Note 24 (page 64).

The major capital schemes in progress during the year included:-

		<u>£000'</u>	<u>£000'</u>
		<u>£</u>	<u>£</u>
EDS	Extension of Recycling Initiative	359	
	Parks and Countryside	226	
	Play Areas	202	
	Cleaner Safer Greener	184	
	Liveability Schemes	141	
	Sports Facilities	76	
	Refurbishment Backlog	74	
	Health & Safety	27	
	Revenue Capitalisation	408	1,697
Children's Services	New School Build	2,675	
	Devolved Formula Capital	2,428	
	Modernisation	624	
	Access Initiatives	261	
	Children's Support Services	126	
	Sure Start - Besses Children's Centres	287	
	Specialist School - Philips High	30	
	Mersey Drive - ASD Unit	7	6,438
ALAL	Ramsbottom Library Co-location	525	
	Whitefield Library - New Facility	274	
	Elton Youth Centre	12	
	Bury Museum and Archive Development	11	822
Highways	Highways Network Services	1,985	
	Bus Priority Schemes	1,578	
	Traffic Management & Road Safety Schemes	604	
	Engineering Consultancy - Bridges	603	
	Other Transportation & Parking Schemes	162	
	Cycling Strategy	92	
	Traffic Calming	77	
	Walking Strategy	32	5,133
Housing - Public	Modernisation Schemes	3,969	
	Re-roofing council housing	2,592	
	Energy Efficiency	644	
	Window Replacement	566	
	Disabled Facilities Adaptations	449	
	Environmental and Security Works	157	
	Asbestos Removal	47	
	Miscellaneous	499	8,923
Housing - Private	Environmental works-Pimhole	2,467	
	Private Sector Grants and Associated Works	1,373	
	Capitalised Salaries	179	
	Empty Homes Strategy	20	

	Mosses	13	
	Other / Environmental Works	7	4,059
Housing Association	Tulle Court	229	229
Planning	Environmental Projects	1,032	
	Development Group Schemes	355	
	East Lancashire Railway Trust	30	1,417
Property Services	Invest to Save bid - Bradley Fold SME Units	1,369	
	Costs of property sales and purchases	106	1,475
Chief Executives	Corporate ICT Projects	1,286	
	Area Boards	76	
	Town Hall Foyer Refurbishment	14	1,376
Adult Care Services	Older People	415	
	Mental Health	214	
	Learning Disabilities	80	
	Physical Disabilities	8	
	General	1	718
TOTAL		32,287	32,287

During the year there were a number of material capital receipts due to the disposal of council houses, and various assets and parcels of land including a painting, an area at School Brow, several freehold interests and a residential block of flats that will address affordable housing responsibilities. The Capital Outturn report will be considered by the Executive on 12 September, 2007 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 realised 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 is detailed below:

<u>Expenditure:</u>	<u>£000's</u>	<u>£000's</u>
Fixed assets	26,474	
Intangible assets	4,977	
Vehicle, Plant and Equipment	836	32,287
Total		32,287

Financed by:	£000's	£000's
Loan	14,748	
Capital Receipts	6,327	
Grants & Contributions	8,546	
Leasing	0	
Revenue	3	
Reserves	267	
Provisions	0	
Major Repair Allowance	2,396	32,287
Total Financed in year		
Total		32,287

BORROWING OUTTURN

During 2006/07, the capital financing requirement highlighted the need to borrow £14.7 million to fund capital investment. In accordance with the 2006/07 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 £27.5 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
	31.3.06	Raised	Repaid	31.03.07
	£000s	£000s	£000s	£000s
PWLB	47,309	29,000	11,000	65,309
Market	29,000	10,000	0	39,000
Other loans	<u>3</u>	<u>0</u>	<u>0</u>	<u>3</u>
Bury MBC Debt	76,312	39,000	11,000	104,312
Airport PWLB Debt	<u>9,089</u>	<u>0</u>	<u>260</u>	<u>8,829</u>
Total Debt	<u>85,401</u>	<u>39,000</u>	<u>11,260</u>	<u>113,141</u>

HOUSING

The Housing Revenue Account (HRA) on page 80 shows that a deficit of **£0.177 million** was achieved during the year. This was against an estimated deficit for the year of £0.275 million.

COLLECTION FUND

The information shown on page 87 demonstrates that at 31st March 2007 there was a surplus balance on the Collection Fund of **£0.011 million**. This sum will be utilised in 2007/2008 and the following year to reduce the level of the Council Tax.

INSPECTION OF THE ACCOUNTS

Members of the public have the right to inspect the Authority's Accounts, including supporting documents, prior to external audit and then to question the auditor or make objections to the Accounts. This year the

Accounts will be deposited for inspection at the Town Hall for 20 working days (as required by the 2003 Accounts and Audit Regulations) commencing 2 July 2007 and the External Auditor will be available for questioning on or after 30th July 2007. This facility has been advertised in the local press.



M. OWEN, C.P.F.A.
Director of Finance & E-Government
28 June, 2007

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BURY METROPOLITAN BOROUGH COUNCIL

Statement on Internal Control / Governance Statement 2006/07

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 2007, and up to the date of approval of the annual accounts.

3. INTERNAL CONTROL / GOVERNANCE FRAMEWORK

The Authority has adopted a revised "Local Code of Corporate Governance" and recognises that effective governance is achieved through the following core principles:

- (i) Focussing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.
- (ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- (iii) Promoting the values of the authority and demonstrating the values of good governance through behaviour.
- (iv) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- (v) Developing the capacity and capability of Members to be effective and ensuring that officers – including the statutory officers – also have the capability and capacity to deliver effectively.
- (vi) Engaging with local people and other stakeholders to ensure robust local public accountability.

The table overleaf demonstrates how these core principles have been upheld during the year 2006/07.

Core Principle	Supporting Principles	Specific Actions
<p>Focussing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area</p>	<p>Exercising leadership by clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users</p> <p>Ensuring that users receive a high quality of service whether directly, or in partnership or by commissioning</p> <p>Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money.</p>	<p>The Council has made a clear statement of the authority's purpose and vision and uses this as basis for corporate and service planning and shaping the Community Strategy and Local Area Agreement</p> <p>The Council reviews on a regular basis the authority's vision for the local area and its impact on the authority's governance arrangements</p> <p>The Council publishes an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance</p> <p>The Council has decided how the quality of service for users is to be measured and makes sure that the information needed to review service quality effectively and regularly is available. The authority ensures that this information is reflected in the Bury Plan, the Financial Strategy and other resourcing plans in order to ensure improvement</p> <p>The Council has determined how value for money is to be measured and makes sure that the information needed to review value for money and performance effectively is available. The authority also ensures that the results are reflected in the Bury Plan, in service plans and in reviewing the work of the authority</p> <p>There are effective arrangements to deal with failure in service delivery</p> <p>When working in partnership there is a common vision underpinning the work of the partnership that is understood and agreed by all partners. The vision is:</p> <p style="padding-left: 40px;">supported by clear and measurable objectives with targets and indicators</p> <p style="padding-left: 40px;">the driver for deciding what services will be provided by or commissioned by the partnership, the quality and the cost.</p>
<p>Members and officers working together to achieve a common purpose with clearly defined functions and roles</p>	<p>Ensuring effective leadership throughout the authority by being clear about executive and non executive functions and of the roles and responsibilities of the scrutiny function</p> <p>Ensuring that a constructive working relationship exists between elected Members and officers and that the responsibilities of Members and officers are carried out to a high standard.</p> <p>Ensuring relationships between the authority and the public are clear so that each know what to expect of the other.</p>	<p>The Council has set out a clear statement of the respective roles and responsibilities of the Executive and of the Executive's members individually and the authority's approach towards putting this into practice</p> <p>There is a clear statement of the respective roles and responsibilities of other Members, Members generally and of senior officers</p> <p>The Council has developed protocols to ensure effective communication between Members and officers in their respective roles</p> <p>Established protocols ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained</p> <p>There are clear terms and conditions for remuneration of Members and officers and an effective structure for managing the process including an effective remuneration panel</p> <p>The Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated</p> <p>When working in partnership the Council has adopted a Partnership Code of Practice ensuring:</p> <ul style="list-style-type: none"> - that there is clarity about the legal status of the partnership - that the roles and responsibilities of the partners are agreed so that there is effective leadership and accountability

Core Principle	Supporting Principles	Specific Actions
		<p>- that representatives or organisations make clear to all other partners the extent of their authority to bind their organisation to partner decisions</p> <p>Effective mechanisms exist to monitor service delivery, e.g. Star Chambers</p> <p>A scheme of delegated and reserved powers exists within the Constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation; this is monitored and updated when required</p> <p>Effective management arrangements are in place at the top of the organisation</p> <p>The Chief Executive is responsible and accountable to the authority for all aspects of operational management</p> <p>The Director of Finance and E Government is responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control</p> <p>The Monitoring Officer / Director of Legal and Democratic Services is responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with.</p>
<p>Promoting the values of the authority and demonstrating the values of good governance through behaviour</p>	<p>Ensuring council Members and officers exercise leadership by behaving in ways that uphold high standards of conduct and exemplify effective governance</p> <p>Ensuring that organisational values are put into practice and are effective.</p>	<p>The Council has developed, and maintains shared values including leadership values both for the organisation and its staff reflecting public expectations about the conduct and behaviour of individuals and groups within and associated with the authority</p> <p>The Authority's shared values act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority</p> <p>Established Codes of Conduct define expected standards of personal behaviour</p> <p>An effective Standards Committee acts as the main means to raise awareness and takes the lead in ensuring high standards of conduct are firmly embedded within the local culture</p> <p>Arrangements are in place to ensure that Members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders; appropriate processes ensure that they continue to operate in practice</p> <p>Procedures and operations are designed in conformity with appropriate ethical standards, and continuing compliance is monitored.</p> <p>When pursuing the vision of a partnership, values are agreed, against which decision making and actions can be judged. Such values are 'alive' and demonstrated by partners' behaviour both individually and collectively.</p>
<p>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p>	<p>Exercising leadership by being rigorous and transparent about how decisions are taken and listening to and acting upon the outcome of constructive scrutiny</p>	<p>The Council has an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall</p> <p>There are effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based</p>

Core Principle	Supporting Principles	Specific Actions
	<p>Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs</p> <p>Making sure that an effective risk management system is in place</p> <p>Recognising the limits of lawful action and observing both the specific requirements of legislation and the general responsibilities placed on local authorities by public law, but also accepting responsibility to use their legal powers to the full benefit of the citizens and communities in their area.</p>	<p>Arrangements are in place so that conflicts of interest on behalf of Members and officers are avoided and processes ensure that they continue to operate in practice</p> <p>Arrangements are in place for whistle blowing, to which all staff and all those contracting the authority have access Effective transparent and accessible arrangements are in place for dealing with complaints</p> <p>An effective Audit Committee is in place, which is independent of the Executive and the scrutiny function</p> <p>An effective Standards Committee lies at the heart of decision making and raises awareness on standards issues</p> <p>Those making decisions are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications</p> <p>Effective arrangements are in place for determining the remuneration of senior staff Professional advice on legal and financial matters is available and recorded well in advance of decision making and used appropriately when decisions have significant legal or financial implications</p> <p>Risk management is embedded into the culture of the authority, with Members and managers at all levels recognising that risk management is part of their job</p> <p>Limits of lawful activity are recognised by the ultra vires doctrine and managers strive to utilise their powers to the full benefit of the community</p> <p>Specific legislative requirements are observed, as well as the requirements of general law, and in particular the key principles of administrative law – rationality, legality and natural justice form part of procedures and decision making</p> <p>When working in partnership, protocols exist for working together which include a shared understanding of respective roles and responsibilities of each organisation</p> <p>When working in partnership, there are robust procedures for scrutinising decisions and behaviour and decisions and behaviour are compliant with any local authority rules/codes or comply with any rules/codes developed for the purpose of the partnership</p> <p>When working in partnership, partnership papers are easily accessible and meetings are held in public unless there are good reasons for confidentiality. The partners ensure that:</p> <ul style="list-style-type: none"> - the partnership receives good quality advice and support and information about the views of citizens and stakeholders, so that robust and well reasoned decisions are made - risk is managed at a corporate and operational level.
<p>Developing the capacity and capability of Members to be effective and ensuring that officers – including the statutory officers – also have the capability and capacity to deliver effectively</p>	<p>Making sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles</p> <p>Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group</p> <p>Encouraging new talent for membership of the</p>	<p>The Authority assesses the skills required by Members and officers and makes a commitment to develop these to enable roles to be carried out effectively</p> <p>The Authority ensures that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority</p> <p>Induction programmes are tailored to individual needs and opportunities for Members and officers to update their knowledge on a regular basis</p> <p>Skills are developed on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed</p>

Core Principle	Supporting Principles	Specific Actions
	<p>authority so that best use can be made of resources in balancing continuity and renewal.</p>	<p>Arrangements are in place for reviewing the performance of the Executive as a whole and of individual Members and agreeing an action plan which might for example aim to address any training or development needs</p> <p>Arrangements are in place to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority</p> <p>Career structures for Members and officers encourage participation and development</p> <p>When working in partnership, partners individually and the partnership collectively share responsibility for appointing people to the partnership who have the required skills and are at an appropriate level.</p> <p>Partnerships;</p> <ul style="list-style-type: none"> identify the capacity and capability requirements of the partnership conduct an audit of the availability of the capacity and capability of the partnership and partners develop effective plans for addressing any gaps.
<p>Engaging with local people and other stakeholders to ensure robust local public accountability</p>	<p>Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders including partnerships, and develops constructive accountability relationships</p> <p>Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery</p> <p>Making best use of resources by taking an active and planned approach to meet responsibility to staff.</p>	<p>It is clear to all staff and the community, to whom they are accountable and for what</p> <p>Staff consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the relationships and any changes required</p> <p>Clear channels of communication exist with all sections of the community and other stakeholders and monitoring arrangements are in place to ensure that they operate effectively</p> <p>Arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements recognise that different sections of the community have different priorities and there are explicit processes for dealing with these competing demands</p> <p>There is a clear policy on the types of issues for consultation and service users including a feedback mechanism for those consulted</p> <p>A performance plan is published annually giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period</p> <p>Effective systems are in place to protect the rights of staff. Policies for whistle blowing which are accessible to staff and those contracting with the authority, and arrangements for the support of whistle blowers, are in place</p> <p>There are clear policies on how staff and their representatives are consulted and involved in decision making</p> <p>An annual report is produced on scrutiny function activity</p> <p>The authority as a whole is open and accessible to the community, service users and its staff and has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so</p> <p>When working in partnership, engagement and consultation undertaken by the partnership is planned with regard to methodology, target audience and required outcomes.</p>

Core Principle	Supporting Principles	Specific Actions
		Existing mechanisms and groups are used where appropriate. In the work cycle of the partnership it is clear what has happened to any feedback and what has changed as a result.

4. STRATEGIC RISK MANAGEMENT

The Council has adopted a corporate risk management policy, and operates a fully integrated risk management system across the organisation. A web-based risk management toolkit is available to all levels of staff, enabling the production of risk registers which are reviewed on a quarterly basis.

Significant business risks that may impact upon the Council's priorities have been identified and mapped, and appropriate control measures are in place.

During 2006/07, the Council significantly strengthened its approach to the management of risk within partnership working arrangements as follows;

- Development of a Partnership Code of Practice
- Development of a Partnership risk management toolkit
- Development of a Partnership risk register (Bury MBC view)
- Development of shared Partnership Risk Assessment Model; for use by all principal partners.

5. 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 (BVPs/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 BVPs. 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.
- 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 quarterly Risk Management reports reviewing activities and progress, and has reviewed 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 Internal Audit submits to them an Annual Report and Opinion, and the external auditor (KPMG) 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 2006. 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 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.
- In November 2006, an internal review was undertaken using the Council's "Service Assessment" model to assess the effectiveness of Internal Audit; a requirement of the Accounts & Audit Regulations 2006. The service was found to be performing well, achieving a score of 141 out of 180.
- Similarly, in 2006, the Internal Audit Section subscribed to the CIPFA Internal Audit Benchmarking Club. An assessment of the service concluded that it achieved upper quartile compliance (85%) with the "CIPFA Code of Practice for Internal Audit in Local Government (2006)". An action plan has been developed to achieve 100% compliance in the future.
- 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.

6. EFFICIENCY / VALUE FOR MONEY

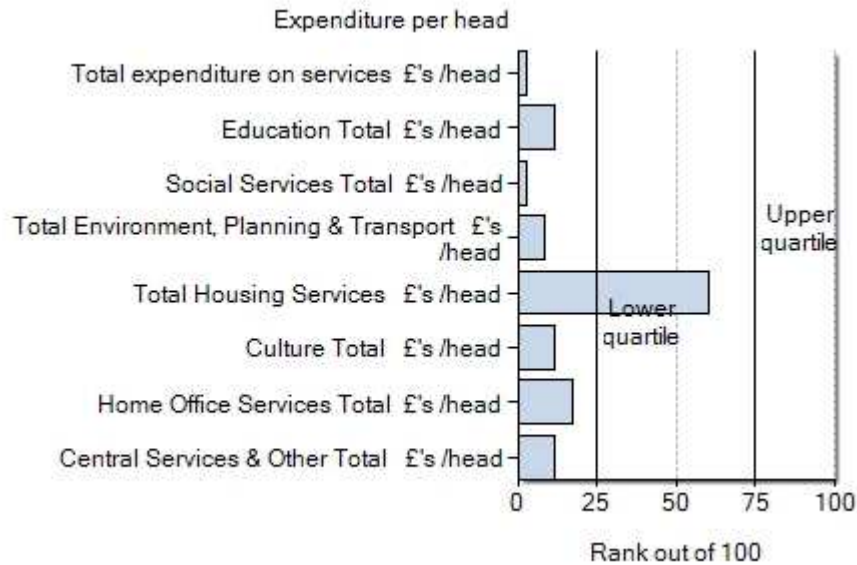
The Council prides itself on delivering quality services at an affordable price, and is recognised as being efficient.

During 2006, the Improvement and Development Agency (IDEA) undertook an "Efficiency Review" of the Council.

Whilst this review confirmed the position that the Council was operating efficiently, a number of action points were made to formalise this.

The Council responded to this by developing and implementing its "Efficiency Strategy", outlining how sustainable efficiency gains were to be realised.

The Audit Commission has recently published updated VFM profiles for the Council; once again these confirm the Council is operating efficiently, with most major service costs in the lower quartile, and the Council second lowest cost overall in its comparator group;



The cost of Housing Services remains a pressure, and this area is currently undergoing a budget review.

7. USE OF RESOURCES AUDITOR JUDGEMENT

In November 2006, the Council received its "Use of Resources" Auditor Judgement.

The assessment evaluates how well local authorities manage and use their financial resources, and focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Authority's priorities and improve services.

The assessment concluded that Bury scored an overall 3 out of 4; "*consistently above minimum requirements – performing well*". Individual scores are detailed overleaf, compared with the previous year;

Key Line of Enquiry	2005 Score	2006 Score
Financial Reporting	1	3
Financial Management	2	3
Financial Standing	2	2
Internal Control	2	2
Value for Money	3	3

An action plan has been developed to address specific recommendations raised, and to outline the necessary action to secure a maximum "level 4" at the next assessment.

8. SIGNIFICANT INTERNAL CONTROL ISSUES

The Effectiveness statement set out in section 5 above demonstrates that the Control Environment described in section 4 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 Memorandum / "Report to those charged with Governance" concluded;

- "That the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error"

- “The Council has made proper arrangements to ensure economy, efficiency and effectiveness in its use of resources for the year ending 31st March 2006 except in respect of putting in place arrangements for the management of its asset base.”

The Auditors raised performance improvement observations relating to the authority’s Accounts as follows;

Reconciliations

The Auditors raised a number of issues in respect of reconciliations; notably the bank reconciliation, and reconciliations between the General Ledger, Housing Benefits and Business Rates systems.

It was not possible to perform monthly reconciliations at the beginning of 2006/07, however the Council committed a large amount of staff time to resolving this issue during the year and a robust process is now in place to undertake reconciliations on a monthly basis going forward.

The amount written off in 2005/06 in respect of the bank reconciliation has been investigated and it is now possible to write back £232k to the General Fund.

Provisions

The Auditors requested a review of provisions made in the accounts, notably the “Bad Debt Provision”. These amounts have been reviewed as part of the 2006/07 accounts closure process.

Employees in Higher Earnings Bands

The Auditors requested that this calculation should include “benefits in kind”. The basis of the calculation has been revised accordingly for the 2006/07 accounts.

Looking Ahead - 2007/08

Looking forward to 2007/08, the Council is proactively responding to a number of challenges;

- The 2006/07 revenue outturn position is very encouraging; a net underspend of £2m, resulting in a strong position in terms of “financial standing” with balances of £5m. The historic pressures in respect of the Childrens’ Services budget appear to have been resolved, however the Council now faces challenges in managing the Adult Services budget as client numbers, longevity, and expectations increase.
- The Council has made significant progress in addressing the requirement for a Local Pay Agreement, and this exercise must be completed during 2007/08.
- Good progress has been made in terms of formalising Partnership working arrangements, notably in respect of Risk Management. This momentum must be maintained during 2007/08.

This statement, and progress on the actions set out above is reviewed and monitored by the Management Board and the Audit Committee on a regular basis.

Signed:

Chief Executive

Date

Council Leader

Date

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 2007.

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

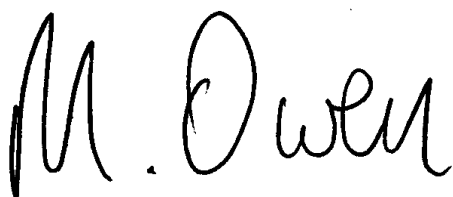
- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

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 33.



M. OWEN C.P.F.A.
Director of Finance & E-Government
28 June, 2007

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 2006/07 financial year and its position at year end of 31 March 2007. 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 2006 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 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 operational fixed assets included in the Balance Sheet at the commencement of the financial year taking account of asset disposals.

Depreciation is provided at the following bases and estimated useful lives:

	<u>Bases</u>	<u>Estimated Life</u>
Schools and Education Properties	Straight line	25 – 50 Years
Other Operational Properties	Straight line	10 – 50 Years
Infrastructure Assets	Straight line	25 Years
Plant & Equipment	Straight line	3 – 10 Years
Council Dwellings	Major Repairs Allowance	

For 2006/07 the Council has applied depreciation to operational assets in accordance with FRS15 'Tangible Fixed Assets'.

Operational Assets other than Council Dwellings are depreciated on a straight-line basis, a change from the Reducing Balance method applied in previous years. The Council changed the method of depreciating Infrastructure Assets to straight-line in 2005 / 06, and applied the change to other categories of Operational Asset in 2006 / 07.

A review of the estimated useful life of individual operational properties is an integral part of the rolling revaluation programme carried out by the Council's Property Services department.

Asset users provide their assessment of the useful life of specific Plant & Equipment categories.

INTANGIBLE ASSETS (inclusive of formerly DEFERRED CHARGES)

Intangible Assets represent expenditure which may properly be capitalised but which does not represent tangible fixed assets. The disclosure in the Council's balance sheet refers to the acquisition of software licences; the expenditure will be depreciated over the 10 years representing the current estimate for its useful life. Intangible assets are carried at the historical cost of purchase and other costs incurred in bringing the asset to a usable condition.

Expenditure of a capital nature (formerly described as Deferred Charges) that does not represent continuing value to the Council is amortised to revenue in the year that the expenditure is incurred, as shown in Note 22 (page 63).

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 should cover the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest determined by CIPFA.

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).

As from the 1st of April 2006 the requirement to make a capital financing charge (notional interest) has been removed which means that notional depreciation is charged directly to the service revenue department and in turn is credited to the Statement of Movement on the General Balance Fund.

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

Interest for the whole authority is seen on the face of the income and expenditure account and is charge corporately as detailed in the BVACOP. Interest payable on borrowing is the charged 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 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 (which would go to the Income & Expenditure Account)

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 CONTRACTS

As per the requirement of SSAP 9 *Stocks and Long Term Contracts*, income and expenditure relevant to long term contracts is reflected in the income and expenditure 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 37 (page 74).

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 2006/2007 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 Income and Expenditure 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 Income and Expenditure 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 32 and 33 on pages 69 and 70.

REDEMPTION OF DEBT

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure 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 2006/2007 are shown in Note 8 on page 54.

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 2006/07 financial year. The preparation of the information for this disclosure has required the assistance of actuaries and can also be found in Note 8.

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.

CORE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year. This Account replaces the Consolidated Revenue Account. The main differences between the Income and Expenditure Account (I & E Account) and the Consolidated Revenue Account being:

- capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item
- gains and losses on the disposal of fixed assets are recognised in the I & E Account.

As a result of these changes the 2005/06 comparative figures have been restated. Further details can be found in Note 2 to the Core Financial Statements on page 50.

Additionally, for 2006/07, the arrangements for government support for the funding of schools changed. Previously funds were provided as part of the Council's overall Revenue Support Grant. In 2006/07 the council has received a grant – the Dedicated Schools Grant. £99.393m has therefore been credited against the Education service outturn in the Income and Expenditure Account that would previously have been treated as part of Revenue Support Grant income. The difference between 2006/07 figures and comparative figures for 2005/06 for these two lines is substantially explained by this change.

<u>2005/2006</u>		<u>2006/2007</u>			
<u>Net Expenditure</u>		<u>Gross Expenditure</u>	<u>Income</u>	<u>Net Expenditure</u>	<u>Notes</u>
<u>£000's</u>		<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	
Continuing Services					
2,837	Central Services to the Public	29,488	(26,135)	3,353	
1,284	Non-Distributed Costs (FRS17 entry)	3,867	(34)	3,833	
285	Court Services	291	(49)	242	
25,443	Cultural, Environmental & Planning Services	50,773	(22,019)	28,754	
109,072	Education Services	162,652	(150,887)	11,765	
18,061	Highways, Roads & Transport Services	28,342	(8,563)	19,779	
	Local Authority Housing (HRA)	23,296	(23,878)	(582)	
4,369	Other Housing Services	40,191	(36,046)	4,145	
50,100	Social Services – Adults	86,359	(34,690)	51,669	
4,447	Corporate & Democratic Core	5,429	(666)	4,763	
167	Other Operating Inc & Exp.	933	(505)	428	
216,065	Net Cost Of Services	431,621	(303,472)	128,149	
	(Gain)/Loss on Disposal of Fixed Assets	-	-	-	
(3,063)	(Surplus)/Deficits on Trading Operations			(2,637)	4
4,731	Interest Payable & other Similar Charges			5,148	
3,222	Contribution of Housing Capital Receipts to Government Pool			3,051	
(1,480)	Interest and Investment Income			(1,855)	5
	Investment Losses			-	
300	Pensions Interest Cost and Expected Return on Pensions Assets (FRS17)			(100)	8
0	Gains / Losses on early settlement of borrowing			-	

219,775	Net Operating Expenditure	131,756
(59,932)	Demand On Collection Fund:	(63,424)
	Collection Fund Surplus	
	Council Tax	
(84,589)	Government Grants (not attributable to specific services)	(11,654)
(60,610)	Non-Domestic Rate distribution	(47,489)
14,644	Net (Surplus) or Deficit For The Year	9,189

STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed

The payment of a share of the housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the useable capital receipts balance rather than council tax

Retirement benefits are charged as amounts become payable to pension fund and pensioners, rather than as future benefits are earned

The General Fund balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. It is the view of the Director of Finance and E-Government that prudence dictates a minimum balance of **£3.4m** is retained in the Fund to meet unforeseen eventualities, and the Revenue Budget for 2007/2008 reflects this.

The Authority also 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 2006/2007 an under spending of **£7.368m** was contributed to the General Fund by schools and is carried forward to 2007/2008. See also Note 16 (page 59) for further details.

This reconciliation summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

14,644	Deficit for the year on the Income and Expenditure Account	9,189
(13,210)	Net additional amount to be debited or credited to the General Fund balance for the Year (see table below)	(16,995)
1,434	Decrease / (Increase) In General Fund Balance for the Year	(7,806)
(6,185)	Balance on General Fund B/Fwd	(5,271)
(519)	In Year Contribution	(157)
(5,271)	Balance on General Fund C/Fwd	(13,234)
(4,660)	General Fund balance attributed to school Budgets	(7,368)
(611)	Amount of General Fund balance generally available for new expenditure	(5,866)
(5,271)		(13,234)

NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

		Note
(203) Amortisation of intangible fixed assets (reversal)	(415)	
(4,752) Depreciation and impairment of fixed assets (reversal)	(6,665)	
69 Government grants deferred amortisation	118	
(5,038) Deferred charges (w/d financed by capital resources (reversal)	(3,612)	
- Net gain or loss on sale of fixed assets	-	
(12,700) Net changes made for retirement benefits (FRS17 entry) (reversal)	(17,100)	8
(22,624) Amounts included in the Income and Expenditure Account by required by statute to be excluded when determining the Movement on the General Fund Balance for the year	(27,674)	
3,432 Minimum revenue provision for capital financing	3,762	7
2,343 Capital expenditure financed from revenue	3	
(3,222) Transfer from Usable Capital Receipts equal to Housing Pooled Capital Receipts	(3,051)	
8,516 Pension Fund - Employer's contributions payable to PF and retirement benefits payable direct to pensioners (FRS17 entry)	9,721	8
11,069 Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year	10,435	
190 Transfer to/from other earmarked reserves -	150	3
(1,845) Transfer to/from HRA Balances	(227)	
- Voluntary Revenue provision for capital financing	321	7
(1,655) Transfers to and from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	244	
(13,210) Net additional amount required to be credited to the General Fund Balance for the year	(16,995)	

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase / decrease in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirements:

2005/06 £000's	2006/07 £000's
14,644 Deficit for the year on the Income and Expenditure Account	9,189
59,912 (Surplus) / Deficit Arising on revaluation of fixed assets	(175)
29,916 Actuarial (gains) / losses on pension fund assets and liabilities	(32,679)
(10,593) Other (Gains) / Losses for the year	(11,461)
93,579 Total Recognised (Gains) / Losses for the Year	(35,136)

BALANCE SHEET AT 31ST MARCH 2007

<u>2006</u>			<u>2007</u>			
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>Note</u>
		FIXED ASSETS				
3,948	0	Intangible Fixed Assets		4,897		22
		Tangible Fixed Assets:				
		Operational Assets:				
285,479		Council Dwellings	288,809			
204,403		Other Land & Buildings	202,381			
25,658		Infrastructure Assets	26,248			
1,485		Vehicles & Plant	1,352			
370		Community Assets	608			
		Non-Operational Assets:				
30,431		Investment Properties	37,808			
0		Assets under construction	570			
517		Surplus assets held for disposal	644			
<u>548,343</u>	<u>552,291</u>	TOTAL FIXED ASSETS		<u>558,420</u>	<u>563,317</u>	21
		LONG TERM INVESTMENTS				
10,214	10,214	Manchester Airport PLC		10,214	10,214	27
		LONG TERM DEBTORS				
10,220		Loan Accounts		9,707		28
		Deferred Premiums on Early				
128		Repayment of Debt		107		28
		Debt Managed for Probation				
29		Services		26		23
	<u>10,377</u>				<u>9,840</u>	
		CURRENT ASSETS				
1,107		Stocks & Work in Progress	1,268			
28,716		Sundry Debtors & Advance	37,750			28
		Payments				
6,600		Short Term Investments	35,350			
1,757		Cash in Hand	2,084			
	<u>38,180</u>			<u>76,452</u>		
		LESS : CURRENT LIABILITIES				
(2,260)		Short Term Loans Outstanding	(287)			29
(211)		Deposits & Clients' Funds	(158)			
		Sundry Creditors & Advance				
(34,912)		Receipts	(39,033)			
(6,692)		Bank Accounts	(6,351)			
	<u>(44,075)</u>			<u>(45,829)</u>		
	<u>(5,895)</u>	NET CURRENT LIABILITIES			<u>30,623</u>	
566,987		TOTAL ASSETS LESS CURRENT LIABILITIES			<u>613,994</u>	
		LESS: LONG TERM LIABILITIES				
(83,142)		External Loans Outstanding		(112,854)		29
(9,617)		Deferred Liabilities		(9,141)		30
(117,700)		Pension Liability		(92,400)		8
(3,798)		Government Grants		(7,137)		
		Deferred Account				36
(13,151)		Provisions		(17,699)		32
(279)		Deferred Discounts on early		(337)		
		repayment of debt				
	<u>(227,687)</u>			<u>(239,568)</u>		
<u>339,300</u>		TOTAL NET ASSETS		<u>374,426</u>		

CONSOLIDATED BALANCE SHEET AT 31ST MARCH 2007

<u>2006</u>			<u>2007</u>		
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>	<u>Note</u>
		FINANCED BY :			
		RESERVES AND OTHER BALANCES			
(8,406)		Earmarked Reserves	(7,559)		33
(303,112)		Fixed Asset Restatement Account	(297,346)		34
(124,056)		Capital Financing Account	(126,858)		35
(503)		Capital Receipts Unapplied	0		37
(223)		Deferred Capital Receipts	(189)		31
(1,298)		Capital Grants Unapplied	(5,627)		38
117,700		Pension Reserve	92,400		8
		Balances			
(5,271)		General Fund	(13,234)		15
(1,855)		Housing Revenue Account	(1,678)		
(1,160)		Major Repairs Reserve	(3,522)		33
(372)		Competitive Services	(444)		33
(321)		Collection Fund Balance	(11)		
<u>(10,423)</u>		Other Balances	<u>(10,358)</u>		
	<u>339,300</u>	TOTAL RESERVES AND BALANCES		<u>374,426</u>	

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>2005/2006</u>		<u>2006/2007</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
<u>£000's</u>					
	<u>REVENUE ACTIVITIES</u>				
180,504	Cash Outflows: Cash Paid to and on behalf of Employees	183,470			
182,393	Other Operating Cash Payments	192,301			
16,757	Housing Benefit paid out	17,415			
35,265	NNDR payments to National Pool	38,067			
8,767	Precepts paid	9,260			
423,686				440,513	
(21,372)	Cash Inflows: Rents (after Rebates)	(22,234)			
(56,450)	Council Tax Receipts	(62,575)			
(60,457)	NNDR Receipts from National Pool	(47,489)			
(35,497)	Non-Domestic Rate Receipts	(38,300)			
(84,589)	Revenue Support Grant	(9,167)			
(26,188)	DWP Grants for Benefits	(27,733)			
(44,957)	Other Government Grants	(138,077)			
(101,673)	Cash Received for Goods and Services	(104,741)		(450,316)	
(431,183)					(9,803)
(7,497)	NET CASH INFLOW FROM REVENUE ACTIVITIES				
	<u>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</u>				
2,947	Cash Outflows: Interest Paid			5,568	
(785)	Cash Inflows: Interest Received			(1,855)	
2,162					3,713
(5,335)					(6,090)
	<u>ACQUISITIONS AND DISPOSALS</u>				
(694)	Sale proceeds from Modesole			0	0
(694)					
	<u>DIVIDENDS FROM JOINT VENTURES AND ASSOCIATES</u>				
(1,250)	Airport Dividend Received			(1,250)	(1,250)
(1,250)					
	<u>CAPITAL ACTIVITIES</u>				
28,026	Cash Outflows: Purchase of Fixed Assets	20,920			
0	Purchase of Long Term Investments	0			
3,222	Payments to Housing Capital Receipts Pool	3,051			
31,248				23,971	
(6,719)	Cash Inflows: Proceeds of Sale of Fixed Assets	(4,847)			
(10,504)	Capital Grants received	(12,927)		(17,774)	
(17,223)					
14,025					6,197
6,746					(1,143)
	MANAGEMENT OF LIQUID RESOURCES				
950	Net Increase / (Decrease) in Short Term Deposits				28,750
7,696	NET CASH OUTFLOW BEFORE FINANCING				27,607

The Cash Flow Statement continues on the next page.

<u>2004/2005</u>		<u>2005/2006</u>		
<u>£000's</u>		<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
FINANCING				
	Cash Outflows:	Repayments of amounts borrowed		
5,507		Long Term loans repaid	11,261	
27,800		Short Term loans repaid	26,150	
<u>33,307</u>				37,411
(976)	Cash Inflows:	Net Receipts from Long Term Debtors	(536)	
(13,000)		New Long Term Loans	(39,000)	
(27,800)		New Short Term Loans	(26,150)	(65,686)
<u>(41,776)</u>				(28,275)
(8,469)				
<u>(773)</u>	NET INCREASE IN CASH			(668)

M. Owen

M. OWEN C.P.F.A.
Director of Finance & E-Government
28 June, 2007

NOTES TO THE CORE FINANCIAL STATEMENTS

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

1. VARIATIONS

Detailed reports explaining the variations between the Revised Estimates and the Net Expenditure figures will be presented to members of the Resource and Performance Scrutiny Panel on 23 July, 2007. A summary outturn report will be presented to the Executive on 12 September, 2007.

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. As stated on page 43, the changes had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts (only figures that have changed are included in the figures):

	Consolidated Revenue Account in 2005/2006 Statement of Accounts £000	Removal of Notional Interest £000	Relocation of Government Grants Deferred credits £000	Separation of Depreciation & MRP AND Relocation Prem Disc to Interest £000	2005/06 comparatives in Income & Expenditure Account £000
Central Services to the Public	2,893	(56)	0	0	2,837
Cultural Environment and Planning Services	26,035	(580)	(12)	0	25,443
Education Services	114,090	(5,018)	0	0	109,072
Highways Roads & Transport Services	19,613	(1,499)	(52)	0	18,061
Housing Services	16,132	(11,763)	0	0	4,369
Social Services - Adults	50,857	(752)	(5)	0	50,100
Corporate & Democratic Core	4,553	(106)	0	0	4,447
Net Cost of Services	234,173	(19,774)	(69)	0	214,330
Surplus/Deficits on Trading Operations	(2,807)	(256)	0	0	(3,063)
Asset Management Revenue Account (Interest Payable and Similar Charges)	(15,340)	20,031	69	(29)	4,731
Losses / (gain) on repurchasing of borrowing	(29)	0	0	29	0
Net Operating Expenditure	215,996	1	0	0	215,997

There were no other material prior year adjustments or exceptional items.

3. RESERVES

Reserves and details of these and their balances, are given in Note 33 (Page 70). However for completeness, in considering the Income and Expenditure Account the following movements relating to Reserves should be noted: -

Reserves	Housing Services £000's	GM Connexions £000's	Cultural Services £000's	Finance £000's	Policy/ CExecs £000's	Highways /Planning £000's	Adult Care £000's	Comp Services £000's	Non Service Specific £000's	TOTAL £000's
Arts Reserves			4							4
Energy			14				14	24		52
Outwood								7		7
Viaduct										
School								(2)		(2)
Catering										
Major Repairs	(38)									(38)
Transformation			(35)	(237)	(231)			(5)	405	(103)
Adult Care Area					(47)		7			(47)
Board EDS						57				57
Leisure Facilities								4		4
Comm Sums								(45)		(45)
Performance			(37)						822	785
Reward BCCI Reserve									(444)	(444)
GM Residual		45								45
Body Airport				(31)				(20)		(51)
Share Best Value								(151)		(151)
DSO								(27)		(27)
Strategic Housing	57									57
Unit Insurance				(27)						(27)
Provisions								67		67
TOTAL	19	45	(54)	(295)	(278)	57	21	(148)	783	150

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

4. 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>2005/2006</u>		<u>2006/2007</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>
707	Civic Halls	1,691	634
(796)	Markets	1,625	(857)
(958)	Property & Estates	1,704	(1,182)
(728)	Industrial Units	1,054	(707)

34	Metro Design	91	(41)	50
40	Engineers	4,518	(4,238)	280
309	Building Maintenance	8,857	(8,013)	844
(102)	Architectural Practice	3,130	(3,380)	(250)
47	Refuse Collection	0	0	0
7	Winter Maintenance	0	0	0
140	Grounds Maintenance	3,180	(3,053)	127
170	Cleaning of Buildings	5,040	(4,871)	169
0	Education – Fair Funding	2,627	(2,627)	0
	Emergency & Security			
16	Service	1,451	(1,352)	99
(443)	Transport Services	3,717	(4,311)	(594)
(1,250)	Airport Dividend	0	(1,250)	(1,250)
(2,807)	TOTAL	38,685	(41,322)	(2,637)

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 2005/06 and 2006/07 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>2005/2006</u>		<u>2006/2007</u>		<u>Total</u>
<u>Total</u>			<u>Non</u>	<u>Total</u>
<u>Building</u>		<u>Chargeable</u>	<u>Chargeable</u>	<u>Building</u>
<u>Control</u>		<u>£000's</u>	<u>£000's</u>	<u>Control</u>
<u>Service</u>				<u>Service</u>
<u>£000's</u>	<u>Expenditure</u>			<u>£000's</u>
378	Employee Expenses	286	148	434
0	Premises	12	0	12
21	Transport	17	6	23
60	Supplies and Services	36	32	68
229	Central & Support Service Charges	166	57	223
688	TOTAL EXPENDITURE	517	243	760

Income				
(476)	Building Regulation Charges	(503)	0	(503)
(33)	Miscellaneous Income	(6)	(30)	(36)
(509)	TOTAL INCOME	(509)	(30)	(539)
179	(SURPLUS)/DEFICIT FOR YEAR	8	213	221

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 £790 has been incurred for this 3 year accounting period. The 2005/2006 comparative figure in the above table is for the whole of the Buildings Regulation function, not just the chargeable account. 2005/06 and 2006/07 figures include adjustments for FRS17.

5. INTEREST

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

	<u>2005/2006</u> <u>£000's</u>	<u>2006/2007</u> <u>£000's</u>
Interest on Car Loans	103	83
Mortgage Interest repayment – HRA	17	14
Mortgage Interest repayment – HLA	4	36
Discount-early repayment of Debt	0	9
Investment Interest	603	1,727
Interest on Other Balances	48	(14)
Unpaid Account Interest	10	0
TOTAL	785	1,855

6. 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>2005/2006</u> <u>£000's</u>	<u>2006/2007</u> <u>£000's</u>
Staff advertising	376	386
Other advertising	276	220
Publicity	443	219
TOTAL	1,095	825

7. MINIMUM REVENUE PROVISION

The Local Government Act 2003 requires the Authority to set aside a minimum revenue provision (MRP) for the redemption of external debt for the General Fund and allows the HRA the option to choose to set aside MRP or not. The HRA did not make an MRP contribution for 2006/07. The statute also allows the Authority to set aside a voluntary revenue provision to repay debt more quickly if it is prudent to do so.

The method of calculating the provision is determined by statute and is reflected in the Note of Reconciling Items for the Statement of Movement on the General Fund balance and includes the principal actually repaid on external debt held by other Manchester Authorities on behalf of Bury MBC. The voluntary revenue provision can also be seen in the Note of Reconciling Items (page 45). The calculation is shown in the table below:-

<u>2005/2006</u> £000's	<u>Provision for Repayment of External Loans</u>	<u>2006/2007</u> £000's
	2,997 Minimum Revenue Provision for the General Fund	3,286
	0 Minimum Revenue Provision for the HRA	476
	435 Other principal repayments	
	3,432 TOTAL	3,762
	0 Voluntary Revenue Provision	321

8. RETIREMENT BENEFITS DISCLOSURE

Participation in Pensions Schemes

Bury MBC offers retirement benefits as part of the terms and conditions of its officers and other employees. 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.

Transactions Relating to Retirement benefits

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 in the Statement of Movement in the General Fund Balance. This can be seen clearly in the Note of Reconciling items. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	<u>Year to</u> <u>31 March 2006</u> £000's	<u>Year to</u> <u>31 March 2007</u> £000's
Income and Expenditure Account		
Net Cost of Services		
Service cost	12,400	16,200
Past service costs	800	1,000
Curtailed and Settlements	(800)	
Net operating Expenditure		

Interest cost	20,500	23,700
Expected return on assets in the scheme	(20,200)	(23,800)
Net Charge to Income and Expenditure Account	12,700	17,100
Statement of Movement in the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS 17	(12,700)	(17,100)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	8,516	9,721

In addition to the employer's contributions to the Greater Manchester Pension Scheme, the Authority also makes payments to the Department for Education and Skills in respect of Teachers' pension costs. 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>2005/2006</u>	<u>2006/2007</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>
Teachers		
6,926 Contribution to Department for Education etc.	7,192	13.4
1,300 Added years and pensions increases	1,369	2.55
17 Lump sum payments	107	0.20
8,243	8,668	
Other employees		
8,506 Contribution to Superannuation Fund	9,721	8.5
1,273 Added years and pensions increases	1,291	1.13
275 Lump sum payments	79	0.07
10,054	11,091	

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority as at 31 March are as follows:

Net pension asset as at	31 Mar 2006 £000	31 Mar 2007 £000
Present Value of Scheme Liabilities	(441,800)	(447,400)
Present Value of Unfunded Liabilities	(39,300)	(38,600)
Estimated Liabilities in schemes	(481,100)	(486,000)
Estimated Assets in scheme	363,400	393,600
Net Pension Asset/(Liability)	(117,700)	(92,400)

The liabilities show the long term underlying commitments that the authority has to pay in retirement benefits. The total liability of £486 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 £92.4 million. However, 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.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Greater Manchester Pension 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 2007, 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 main **financial assumptions** used in their calculations have been:

Assumptions as at	31 Mar 2006	31 Mar 2007
	% p.a.	% p.a.
Rate of Inflation	3.1	3.2
Rate of Increase in Salaries	4.6	4.7
Rate of Increase in Pensions	3.1	3.2
Rate for discounting scheme liabilities	4.9	5.4
Proportion of employees opting to take a commuted lump sum	0.0	0.0

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2007 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 2007 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 totalling £393.6m for the fund as a whole at 31 March 2007 (£363.4m at 31 March 2006) The Fund's assets consist of the following categories by proportion of the total assets held by the Fund:

Assets	Long-term	Assets at	Proportion	Long-term	Assets at	Proportion
	Return % 31 Mar 2006	31 Mar 2006 £000	31 Mar 2006 %	Return % 31 March 2007	31 Mar 2007 £000	31 Mar 07 %
Equities	7.4	238,100	65.5	7.8	262,900	66.8
Bonds	4.6	57,800	15.9	4.9	62,700	15.9
Property	5.5	33,800	9.3	5.8	38,800	9.9
Cash	4.6	33,700	9.3	4.9	29,200	7.4
TOTAL	6.5	363,400	100	6.9	393,600	100

Actuarial gains and Losses

The actuarial gains identified as movements on the Pensions reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and percentage of assets or liabilities at 31 March 2007:

	<u>2006/07</u>		<u>2005/06</u>		<u>2004/05</u>		<u>2003/04</u>		<u>2002/03</u>	
	<u>£0</u>	<u>%</u>	<u>£0</u>	<u>%</u>	<u>£0</u>	<u>%</u>	<u>£0</u>	<u>%</u>	<u>£0</u>	<u>%</u>
Differences between expected and actual return on assets	2,400	0.6	46,600	12.8	13,700	4.6	37,900	14.3	(59,700)	(28.1)
Differences between actuarial assumptions about liabilities and actual experience	(500)	(0.1)	(22,300)	(4.6)	(23,000)	(6.0)	300	0.1	1,400	0.5
Actuarial gain/(loss)	30,400	6.3	(32,100)	(6.7)	(72,400)	19.0	38,200	13.8	(58,300)	(22.7)

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.

9. 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 2006/2007 was £317,900 (£303,600 in 2005/2006), 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 £7.048m (£7.686m in 2005/06) of which the largest amount (£6.127m) 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 (£0.283m) architectural services (£0.177m) and grounds maintenance (£0.307m)

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

10. MANCHESTER AIRPORT PLC

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

<u>2005/2006</u>		<u>2006/2007</u>
<u>£000's</u>		<u>£000's</u>
	Income	
(403)	Rent Income	(536)
(1,250)	Dividend Income	(1,250)
<u>(1,653)</u>		<u>(1,786)</u>
	Expenditure	
80	Repayment of loans	81
0	Provision for repurchase of shares	0
<u>80</u>		<u>81</u>
<u>(1,573)</u>	NET INCOME	<u>(1,705)</u>

In 2006/07 net income of £1,705,584.47 was transferred to the Income and Expenditure Account

11. 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 2006/2007 the Council paid 90% of all suppliers within 30 days (2005/2006 93.16%). Compliance with this policy is subject at all times to the proper observance of the Authority's Standing Orders and Financial Regulations.

12. 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>2005/2006</u>	<u>2006/2007</u>
50,000 to 59,999	28	65
60,000 to 69,999	12	16
70,000 to 79,999	6	13
80,000 to 89,999	2	5
90,000 to 99,999	1	1
100,000 and above	1	2
TOTAL	<u>49</u>	<u>102</u>

The reason for the increase in numbers is due to a change in the Disclosure Note requirements whereby employee pension contributions are no longer exempt from the calculation.

13. MEMBERS ALLOWANCES

The total of allowances paid to Members of the Council during 2006/2007 was £577,890 (£560,703 in 2005/2006).

14. 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 2006/2007 the Council has undertaken the following transactions with related parties:

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 £29,529 during 2006/07 (£36,106 during 2005/2006).

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 £322,570 during 2006/07 (£1,784,503 in 2005/06). This represents income to the Council of £13,239,903 (£11,159,204 in 2005/06) and expenditure of £13,562,473 (£12,943,707 in 2005/06), including the management fee paid to Six Town Housing, of £12,643,300.

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.

15. GENERAL FUND MOVEMENTS

The 2006/2007 surplus on the General Fund (excluding the use of balances and reserves) of **£7.806m** is split as follows: -

	<u>Standards</u> <u>Fund</u>	<u>DSG</u> <u>Schools</u> <u>Budget</u>	<u>General</u>	<u>Total</u>
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Balance at 31st March 2006	(770)	(3,890)	(611)	(5,271)
(Surplus)/Deficit for the Year	(667)	(2,041)	(5,098)	(7,806)
In Year Contribution	-	-	(157)	(157)
Balance at 31st March 2007	(1,437)	(5,931)	(5,866)	(13,234)

The directorate carry-forwards requests will be considered by the Executive on 12 September, 2007.

16. DISCLOSURE OF DEPLOYMENT OF DEDICATED SCHOOLS GRANT

The council's expenditure on schools is funded by grant monies provided by the Department for Education and Skills, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual schools Budget. Over- and underspends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2006/07 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Original grant allocation to Schools Budget for the current year in the authority's budget net of LSC income net of SSG income	11,128	87,862	98,990
Adjustment to finalised grant allocation DSG receivable for the year	403	0	403
	11,531	87,862	99,393
Revised Budget allocations, net of LSC income and net of SSG income and after contingency adjustments into ISB	11,086	88,293	99,379
Actual expenditure for the year	10,623	86,715	97,338
Underspend for the year	(463)	(1,578)	(2,041)
Use of schools balances brought forward		(3,890)	(3,890)
Underspend carried forward to 2007/08	(463)	(5,468)	(5,931)

17. DISCLOSURE OF AUDIT COSTS

In 2006/07 the Authority incurred the following fees relating to external audit and inspection:

	<u>2005/2006</u> <u>(£000)</u>	<u>2006/2007</u> <u>(£000)</u>
Fees payable to the Audit Commission / KPMG with regard to external audit services carried out	256	280
Fees payable to the Audit Commission in respect of statutory inspection	17	(17)
Fees payable to the Audit Commission / KPMG for the certification of grant claims and returns	170	105
TOTAL	443	368

18. 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 2006/07 are shown below. The £1.5946m deficit will be met in full by contributions from Bury MBC and Bury PCT, as shown below. 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>2006/07</u>	<u>2006/07</u>
	<u>Total Fund</u>	<u>Bury MBC</u>
	<u>£000</u>	<u>£000</u>
Contributions to the pool	15,665	13,529
Expenditure from the pool	17,259	15,066
(Surplus) / Deficit	1,594	1,537

The 2005/06 deficit was £0.6139m which was met in full by contributions from Bury MBC.

19. 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 2006/07 are shown below. The £2,100 deficit will be met by 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>2006/07</u>
	<u>Total Fund</u>
	<u>£000</u>
Contributions to the pool	537
Expenditure from the pool	539
(Surplus) / Deficit	2

The 2005/06 surplus was £64,800 which was repaid to Bury MBC and Bury PCT.

20. 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 2006/07 was £12,817 through the Mayor's Charity (£6,210 in 2005/06).

21. TANGIBLE FIXED ASSETS

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

<u>Operational Assets</u>	<u>Council Dwellings</u>	<u>Other Land & Buildings</u>	<u>Vehicles, Plant & Equipment</u>	<u>Infra-structure Assets</u>	<u>Community 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>
Certified Valuation at 31st March 2006	290,151	215,408				
Accumulated depreciation and impairment	(4,672)	(11,005)				
Net Book Value at 31st March 2006	285,479	204,403	1,485	25,658	370	517,395
Movement in 2006/07						
Additions	8,922	5,948	836	5,133	81	20,920
Disposals	(2,647)	(726)	0	0	(1,139)	(4,512)
Revaluations	(2,829)	94	(686)	(2,937)	1,296	(5,062)
Impairment	0	0	0	0	0	0
Reclassification	0	(5,699)	0	20	0	(5,679)
Depreciation – charge in year	(4,788)	(3,127)	(394)	(1,626)	0	(9,935)
Depreciation – other movements	4,672	1,488	111	0	0	6,271
Net Book Value at 31 March 2007	288,809	202,381	1,352	26,248	608	519,398

Assets transferred to the Council from the Greater Manchester Connexions Service in 2005/2006 are included in the Operational Assets table.

<u>Non-Operational Assets</u>	<u>Investment Properties</u>	<u>Assets under construction</u>	<u>Surplus Assets</u>	<u>Total</u>
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Certified Valuation at 31st March 2006	30,431		517	30,948
Accumulated depreciation and impairment	0		0	0
Net Book Value at 31st March 2006	30,431	0	517	30,948
Movement in 2006/07				
Additions	5,648	570	172	6,390
Disposals	(818)	0	(625)	(1,443)
Revaluations	(1,417)	0	383	(1,034)
Impairment	(1,518)	0	0	(1,518)
Reclassification	5,482	0	197	5,679
Depreciation – charge in year	0	0	0	0
Depreciation – other movements	0	0	0	0
Net Book Value at 31 March 2007	37,808	570	644	39,022

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 some Non-Operational Investment Properties:

- Demolition of properties in the Pimhole renewal area
- Vandalised restaurant in Philips Park
- Commercial building in The Rock boarded up for redevelopment

The Council 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 Council 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 & Building</u>	<u>Vehicles , Plant & Eqpt</u>	<u>Infra- structur e Assets</u>	<u>Commu nity Assets</u>	<u>Investm ent Properti es</u>	<u>Assets under construc tion</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>	<u>£000's</u>
Valued at Historic Cost :	-	-	1,352	26,248	608	-	570	-	28,778
Valued at Current Value in :									
2006/2007	288,809	37,994	-	-	-	9,729	-	100	336,632
2005/2006	-	315	-	-	-	2,125	-	80	2,520
2004/2005	-	3,168	-	-	-	241	-	300	3,709
2003/2004	-	1,655	-	-	-	399	-	-	2,054
2002/2003 and prior	-	159,249	-	-	-	25,314	-	164	184,727
Total Tangible Fixed Assets	288,809	202,381	1,352	26,248	608	37,808	570	644	558,420

During 2006/07 the Authority's housing stock was revalued to £294,800,000.

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

22. INTANGIBLE FIXED ASSETS and DEFERRED CHARGES

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

	<u>Purchased software licences</u>	<u>Improvement Grants</u>	<u>Other Deferred Charges</u>	<u>Total</u>
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Original cost	4,152	0	0	4,152
Amortisation to 1 st April 2006	(204)	0	0	(204)
Balance at 1 st April 2006	3,948	0	0	3,948
Expenditure in year	1,364	1,372	2,240	4,976
Amortisation in year	(415)	-	-	(415)

Written off to Income and Expenditure Account in year	-	(1,372)	(2,240)	(3,612)
Balance at 31 st March 2007	4,897	0	0	4,897

Expenditure in the year on software licences for new systems totalled £1.364m. 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 Income and Expenditure Account in the year it is incurred.

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

The Balance Sheet reflects any writing off of the value of Debt managed on behalf of other services:

	<u>Probation Service</u> <u>£000's</u>
Balance at 1 April 2006	29
Written off to Income and Expenditure A/C	(3)
Balance at 31 March 2007	<u>26</u>

24. CAPITAL EXPENDITURE and FINANCING

	<u>2005/2006</u> <u>£000's</u>	<u>2006/2007</u> <u>£000's</u>
Opening Capital Financing Requirement	<u>110,665</u>	<u>121,326</u>
<u>Capital Investment</u>		
Operational Assets	26,898	20,920
Non-operational Assets	1,128	6,390
Intangible Assets	2,116	
Deferred Charges	5,038	4,977
	<u>35,180</u>	<u>32,287</u>
<u>Sources of Finance</u>		
Capital Receipts	(4,457)	(6,327)
Grants & Contributions	(10,281)	(8,546)
Sums set aside from Revenue including MRP	(9,781)	(6,762)
	<u>(24,519)</u>	<u>(21,635)</u>
Closing Capital Financing Requirement	<u>121,326</u>	<u>131,978</u>

<u>Explanation of movements in year</u>		
Increase in underlying need to borrow		
- supported by Government financial assistance	14,885	14,528
- unsupported by Government financial assistance	1,665	220
Expenditure unfinanced at year-end and MRP	(5,889)	(4,096)
Increase (decrease)in Capital Financing Requirement	10,661	10,652

At 31st March 2007 the Authority had authorised capital expenditure of **£41.647million** for 2007/2008 and had also identified a capital investment requirement of **£51.460million** for the following two years under the approved Capital Programme. Capital commitments as at 31st March 2007 totalled £8.402 million. Major commitments at 31st March 2007 include:

- Pimhole Renewal Area - £0.359m
- Radcliffe Riverside School - £6.329m
- Parrenthorn New School Build - £1.592m
- Woodhey High New School Build - £1.853m
- Customer Relationship Management System - ££2.942m
- Children Centres - £0.270m
- Whitefield Library New Facilities - £0.098m
- Bradley Fold New SME Units - £1.022m
- Expansion of Recycling scheme - £0.201m
- Housing Financial Assistance (including Disabled Facilities Grants) - £0.340m
- Empty Property Strategy/Clearance - £0.070m
- Local Transport Plan - £0.278m
- Housing Public Sector Schemes – £3.522m
- Leisure (Parks and Play Areas, Countryside, Liveability including Cleaner Safer Greener) - £0.592m

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.

25. **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>2006</u>	<u>2007</u>
<u>Children's Services</u>		
Nursery Schools	1	1
Primary Schools (Council owned)	29	30
Primary School playing fields (VA, VC etc)	24	28
Secondary Schools (Council owned)	11	11
Secondary School playing fields (VA, VC etc)	2	2
Special Education Establishments	4	4
Youth Centres	7	7
Children & family Centres	4	4
Community Centre	1	1
<u>Highways & Transportation</u>		
Roads (km):		
Principal	55	55

Non Principal, Classified	70	70
Urban, Unclassified	476	478
Car Parks	64	65
<u>Leisure Facilities</u>		
Parks & Open spaces (area in hectares)	837	837
Civic Halls	4	4
Sports Centres (with pool)	3	3
Sports Centre (no pool)	1	1
<u>Office Accommodation</u>		
Administrative Buildings	9	9
<u>Arts, Libraries, Lifelong Learning</u>		
Art Gallery / Museum	1	1
Adult Education Centres	4	1
Libraries	9	15
Library / Adult Education Centre	1	3
<u>Property Services</u>		
Dwellings	4	3
Small Lettings	1151	1145
Commercial Lettings	363	361
Farms, Grazing	24	24
Poster Sites	19	18
Market Shops & Stalls	482	482
Industrial Factory Units	203	203
Magistrates Courts	1	1
<u>Adult Care Services</u>		
Elderly Persons Homes	7	7
Homes for Adults with Learning Disabilities	4	3
Learning Disability Day Centres	3	3
Day Care Centres	3	3
Admin Buildings	9	6
Resource Centre	1	1
Non Operational	2	2
<u>Other Services</u>		
Cemeteries (area in hectares)	35	35
Public Conveniences	6	6

26. FINANCE & OPERATING LEASES

Authority as Lessee :-

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 2006/2007 was £1,544,424 (2005/2006 £1,528,233).

Land and Buildings – the authority leases numerous buildings, which have been accounted for as operating leases. The rentals payable in 2006/07 were £680,115 (2005/2006 £493,130).

The Authority is committed to making payments of £1,239,669 under operating leases in 2007/2008 for Vehicles, Plant and Equipment and £3,546,590 for land and Buildings comprising the following elements:

	Land and Buildings	Vehicles, Plant and Equipment
	£	£
Leases expiring in 2007/2008	0	176,323

Leases expiring between 2008/2009 and 2012/2013	2,116,560	1,063,345
Leases expiring after 2012/2013	1,430,030	0
TOTAL	3,546,590	1,239,669

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.

The Authority also held various assets under the terms of an operating lease for the old mainframe computer plant. This lease expired at the end of September 2006. The amount charged under these arrangements in 2006/2007 was £45,829 (2005/2006 £111,486).

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.

Authority as 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 2006/07 were £4,489,543 (2005/06 £3,884,964).

The gross value of assets held for use in operating leases was £41,091,074. 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 2007.

27. INVESTMENTS

Investments at 31st March: consisted of:-	<u>2006</u> <u>£000's</u>	<u>2007</u> <u>£000's</u>
Manchester Airport Group PLC	10,214	10,214
TOTAL	10,214	10,214

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 interim accounts for the six months ended 30th September 2006 showed a profit before tax of £51.4m compared to a profit of £87.7m for the year 2005/06. Profit after tax for the six month period was £35.7m compared to £60.7m for the year 2005/06. Net assets amounted to £807.5m at the 30th September 2006 (the figure at 31st March 2006 was £793.1m). Further information can be obtained from the Director of Finance, Manchester Airport (Tel. 0161-489-3000).

28. DEBTORS & LOAN ACCOUNTS

Long term debtors:	<u>2006</u> <u>£000's</u>	<u>2007</u> <u>£000's</u>
---------------------------	--------------------------------------	--------------------------------------

Car loans (employees)	1,011	799
Airport Terminal 1	8,382	8,138
Bury Metro Arts Association Ltd	32	32
Bury Music Centre	2	2
PWLB Premiums	128	107
Housing Loans	793	736
TOTAL	10,348	9,814
Short term debtors:		
General Fund:	25,156	33,063
Less provision for uncollectable sums	(2,682)	(2,724)
Advance payments	3,350	3,485
	25,824	33,824
Collection Fund:		
Council tax	4,005	4,528
Community charges	435	435
Business rates	1,332	2,142
Less provision for uncollectable sums	(2,880)	(3,179)
	2,892	3,926
TOTAL	28,716	37,750

29. **LOANS OUTSTANDING, LONG & SHORT TERM**

	<u>2005/2006</u>	<u>2006/2007</u>		
	<u>£000's</u>	<u>£000's</u>		
Long term loans:				
PWLB loans:				
Bury	47,308	65,309		
Airport	9,090	8,829		
Market loans	29,000	39,000		
Local bonds	3	3		
TOTAL	85,401	113,141		
Analysed by maturity period:-				
Short Term Loans Outstanding				
Within 1 year	2,260	2,260	287	287
Long Term Loans Outstanding				
1/2 years	287		1,000	
2/3 years	1,316		55	
3/4 years	348		1,882	
4/5 years	2,234		0	
5/6 years	388		0	
6/10 years	4,811		3,694	
10/15 years	2,005		5,470	
15+ years	71,752	83,141	100,753	112,854
TOTAL	85,401	83,141	100,753	112,854

The PWLB debt at 31st March 2007 includes **£8.829 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.

30. DEFERRED LIABILITIES

	<u>2005/2006</u> <u>£000's</u>	<u>2006/2007</u> <u>£000's</u>
Debt ex GMC – Tameside	8,884	8,572
Debt ex Probation Service – Trafford	27	26
Debt from Lancashire County Council	596	437
Debt ex Inner City Central Station - MCC	110	106
TOTAL	9,617	9,141

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.

31. 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.

32. PROVISIONS

	<u>31st March</u> <u>2006</u> <u>£000's</u>	<u>Income</u> <u>£000's</u>	<u>Expenditure</u> <u>£000's</u>	<u>31st March</u> <u>2007</u> <u>£000's</u>
Liability insurance	(11,508)	(5,735)	1,839	(15,404)
Property insurance	(394)	(137)	33	(498)
Children's Services	(539)	(467)	19	(987)
Development Services	(254)	(10)	0	(264)
Other	(456)	(454)	364	(546)
TOTALS	(13,151)	(6,803)	2,255	(17,699)

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 income of £5.735m to Liability Insurance reflects the charges to departments required to adhere to the Council's policy of ensuring that the provision is adequate to meet all claims. The main movements in the expenditure of £1.839m represent payment of claims, premiums, brokerage and claims handling fees, and risk management initiatives.

The main Children's Services provisions are for Schools Improvement (£188,000), Long and Short Term Absence of Teachers (£300,000), and a General Provision (£320,000). The opening balance of the General Provision consisted of several items including a nursery provision and provisions for early retirement and insurance liabilities related to staff. The movement in the General Provision consisted of two increases. There was an increase of £94,000 relating to a grant underspend where a potential grant repayment may be required. The second increase of £100,000 was for a service assessment which was started in the year but not completed until 2007/08. The level of the increase was based on previous expenditure. The other main movement related to an increase in the Long and Short Term Sick Leave provision of £149,000. There was also an

increase of £81,000 in the Phoenix Building Works provision. This concerns the building costs of a Youth Centre where the works have been started but not completed. The increase in the provision is to cover the outstanding works.

The main Development Services provision is the Heywood Link Commuted Sum of £224,000 which is payable to the East Lancashire Railway Trust when certain property leases pass from the Council to the Trust. This lease transfer could happen at any time in the future. The increase in the provision of £10,000 represents accrued interest on the commuted sum for the year.

There are various other provisions which the Council makes from time and there have been two main increases in the year. The first concerns Pimhole Land Transfers where a new provision of £125,000 was created. Here the Council purchased land with North West Development Agency grant money and later sold some of the land. The Council may be liable to repay the grant. A second new provision was created in the year and an amount of £120,000 was set aside as an Empty Property Purchase provision. In this instance, two empty properties were acquired by compulsory purchase orders but the Council was unable to trace the owners. For several years there will be liabilities to these owners for the purchase price of the properties.

33. **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>2006</u>	<u>31st March</u> <u>2007</u>
	<u>£000's</u>	<u>£000's</u>
Airport Shares	569	317
Arts Reserve	20	26
Best Value Reserve	144	0
Education (Schools) Fire	89	131
Energy Conservation	199	301
Leisure	23	28
Adult Care Services	149	156
Transformation Reserve	3,806	3,693
Capital Reserve	1,604	0
Area Board Reserve	107	60
Outwood Viaduct	49	58
School Catering Reserve	115	124
PWLB Discount	279	0
GM Connexions Partnership	602	646
BCCI Reserve	444	0
EDS	486	484
Policy Development Reserve	0	48
Strategic Housing Unit Reserves	0	165
Performance Reward Reserves	0	1,322
	8,685	7,559
Competitive Services	26	0
Commuted Sums	346	444
	372	444
Major Repairs Reserve	1,160	3,522
TOTALS	10,217	11,525

The reserves are held for the following purposes:

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.

Transformation Reserve

The Transformation Reserve is to fund future technological and other investment within the Borough as part of its modernisation and transformation agenda. A sum of £0.5m has been earmarked within the Reserve for use on Invest to Save projects

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.

Policy Development Reserve

This reserve is to assist in the development of new policy and initiatives within the Council.

Strategic Housing Unit Reserves

The main purposes of these reserves are to combat homelessness and facilitate housing choice.

Performance Reward Reserves

These reserves are to be used to maintain and improve the Council's Comprehensive Performance Assessment ratings.

Competitive Services Reserve

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

Commuted Sums

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

Major Repairs Reserve

This reserve provides the authority with the resources needed to maintain the value of housing stock (see HRA Note 3, page 84 for detail of movements during 2006/07).

Other Balances

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

34. FIXED ASSET RESTATEMENT ACCOUNT

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

<u>2005/2006</u>		<u>2006/2007</u>	
<u>£000's</u>		<u>£000's</u>	
366,263	Balance at 1st April		303,112
(3,239)	Disposal of fixed assets gross value		(5,955)
0	Disposal of fixed assets accumulated depreciation written back		14
(59,927)	Restatement of Value		162
15	Other		13
303,112	Balance at 31st March		297,346

35. CAPITAL FINANCING ACCOUNT

The Capital Financing Account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans, and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and the amount required to be

charged to revenue to repay the principal element of external loans. The balance on this account does not represent cash and is not available to spend.

<u>2005/2006</u> £000's		<u>2006/2007</u> £000's
4,457	Total capital receipts applied	6,327
	Revenue resources set aside :-	
2,343	capital expenditure financed from revenue	3
(1,454)	reconciling amount for provisions for loan repayment	(2,879)
889	Total revenue resources set aside	(2,876)
	Movements on CFA capital grants:-	
(1,998)	Set up Capital Contributions Deferred Account	0
8,412	Grants applied to capital spend	5,088
(4,672)	Amounts credited to the asset management revenue account in 2005/06	0
0	Amounts credited to the services revenue accounts in 2006/07	(4,788)
1,742	Movement on CFA	300
3,475	Movement on MRR	2,396
	Other movements on CFA:-	
489	Use of Provisions and other contributions	267
(5,038)	Capital spend not creating a Bury MBC asset	(3,612)
(4,549)	Other movements on the capital financing account	(3,345)
6,014	Total movement on Account	2,802
118,042	Balance brought forward at 1 April	124,056
124,056	Balance carried forward at 31 March	126,858

36. CAPITAL GRANTS DEFERRED ACCOUNT

The Capital Contributions deferred are amounts received in year as government grants or other external contributions that are applied to the financing of fixed assets. The balance established is a deferred credit that will be released to revenue to offset the depreciation charged on these fixed assets.

<u>2005/2006</u> £000's		<u>2006/2007</u> £000's
	Movements on CCD capital grants:-	
1,869	Grants applied to capital investment	3,457
(69)	Amounts credited to the asset management revenue account in 2005/06	0
0	Amounts credited to the services revenue accounts in 2006/07	(118)

1,998	Transfer from CFA to set up account	0
3,798	Movement on Capital Contributions Deferred	3,339
3,798	Total movement on Account	3,339
0	Balance brought forward at 1 April	3,798
3,798	Balance carried forward at 31 March	7,137

37. 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. The table shows the balance available to meet capital expenditure for committed, on-going and new capital schemes in 2007/08 after pooled payments made in the year.

<u>2005/2006</u>		<u>2006/2007</u>
<u>£000's</u>		<u>£000's</u>
6,719	Amounts receivable in 2006/07	7,878
(3,222)	Pooling of Housing Receipts for the year	(3,051)
(4,457)	Amounts applied to finance new capital investment in 2006/07	(4,723)
0	Amounts applied to reserves in 2006/07	(537)
0	Amounts applied to provisions in 2006/07	(70)
(960)	Total increase/(decrease) in realised capital resources in 2006/07	(503)
1,463	Balance brought forward at 1 April 2006	503
503	Balance carried forward at 31 March 07	0

38. 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 are shown in the table below:

<u>2005/2006</u>		<u>2006/2007</u>
<u>£000's</u>		<u>£000's</u>
10,504	Amounts receivable in 2006/07	12,927
(10,281)	Pooling of Housing Receipts for the year	0
	Amounts applied to finance new capital	(8,546)

	investment in 2006/07	
0	Amounts applied to reserves in 2006/07	0
0	Amounts applied to provisions in 2006/07	(50)
(133)	Reclassified as applied revenue	(2)
90	Total increase/(decrease) in realised capital resources in 2006/07	4,329
1,208	Balance brought forward at 1 April 2006	1,298
1,298	Balance carried forward at 31 March 07	5,627

39. 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 2007.

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.

Six Town Housing (Arms Length Management Organisation)

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 specific provision has been made in the balance sheet for any potential liabilities.

40. 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.

	2006	2007
	£	£
John Kay	33,000	34,597
British Cotton Growers	98,647	103,556
Sidney Taylor Bequest	20,286	0
Mary Jones	12,360	0
Mayor's Charity Fund	25,929	24,831
Hollins Institute Education Fund	152,633	160,020
Rigby Trust	0	332,796
Others	55,510	39,769
Total	398,365	695,569
Represented by :-		
Investments	7,441	7,441
Cash	390,924	688,128
Total	398,365	695,569

41. SUMMARY INTRODUCTION TO DETAIL ON MOVEMENT ON RESERVES

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance 1 April, 2006	Net Movement In Year	Balance 31 March, 2007	Purpose of Reserve	Further Detail of Movements
	£000	£000	£000		
Fixed Asset Restatement Account	303,112	(5,766)	297,346	Store of gains on revaluation of fixed assets	See Note 34 to Core Financial Statement, p. 72
Capital Financing Account	124,056	2,802	126,858	Store of capital resources set aside to meet past expenditure	See Note 35 to Core Financial Statement, p. 72
Useable Capital Receipts	503	(503)	0	Proceeds of fixed assets sales available to meet future capital investment	See Note 37 to Core Financial Statement, p. 74
Pensions Reserve	(117,700)	25,300	(92,400)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	See Note 8 to Core Financial Statement, p. 54
Housing Revenue Account	1,855	(177)	1,678	Resources available to meet future running	See HRA Statement and

				costs	
				for council houses	Notes, p. 81 – 86
Major Repairs Reserve	1,160	2,362	3,522	Resources available to meet capital investment in council housing	See HRA Statement and Notes, p. 81 – 86
General Fund	5,271	7,963	13,234	Resources available to meet future running costs for non-housing services	See Statement of Movement on General Fund Balance, p. 44
Earmarked Reserves	8,406	(847)	7,559	Resources set aside for a particular purpose	See Note 33 to Core Financial Statement, p.70
Other Reserves	12,637	3,992	16,629		
Total	339,300	38,186	374,426		

42. RECONCILIATION OF CASHFLOW TO INCOME AND EXPENDITURE ACCOUNT

The net cash flow from revenue activities can be reconciled to the Income & Expenditure Account as follows:

<u>2005/2006</u> <u>£000's</u>	<u>2006/2007</u>	
	<u>£000's</u>	<u>£000's</u>
1,434 DEFICIT FOR THE YEAR ON I & E ACCOUNT		9,189
Non Cash Movements in I & E Account:		
(9,627) Provision for Depreciation	(6,665)	
3,259 Other Provisions	4,548	
(2,997) Minimum Revenue Provision	(3,762)	
1,486 Contributions from / (to) Revenue Reserves	(9,063)	
0 Other General Fund Reconciling Items	(6,568)	
(686) Other non-cash Movements	(464)	(21,974)
(8,565)		
Movements in Current Assets and Liabilities:		
(288) Increase / (Decrease) in Stock	161	
(63) Increase / (Decrease) in Revenue Debtors	7,914	
203 (Increase) / Decrease in Revenue Creditors & Advance Receipts	(2,630)	
(148)		5,445
Items shown elsewhere in the Cash Flow Statement:		
(2,947) Interest Paid	(5,568)	
785 Interest Received	1,855	
1,250 Dividend Income	1,250	

694	Investment Income	0
(218)		(2,463)
(7,497)	NET CASH INFLOW FROM REVENUE ACTIVITIES	(9,803)

43. ANALYSIS OF NET DEBT

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

	<u>31st March</u> <u>2006</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>2007</u> <u>£000's</u>
Cash Overdrawn	(6,692)	1,518	(1,178)	0	(6,351)
Cash in Hand	1,757	327	0	0	2,084
Debt Due Beyond One Year	(83,142)	(39,000)	11,261	(1,973)	(112,854)
Debt Due Within One Year	(2,260)	0	0	1,973	(287)
Long Term Debtors	10,376	(536)	0	0	9,840
Current Asset Investments	6,600	28,750	0	0	35,350
TOTALS	(73,361)	(8,941)	10,083	0	(72,218)

44. RECONCILIATION OF NET DEBT

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

<u>2005/2006</u> <u>£000's</u>	<u>2006/2007</u> <u>£000's</u>
773 (Increase)/ Decrease in Cash Overdrawn in the Year to 31 st March	668
(8,469) (Increase)/Decrease in Debt	(28,275)
950 Increase/(Decrease) in Investments	28,750
(6,746) Change in Net Debt	1,143
(66,615) Net Debt at 1 st April	(73,361)
(73,361) Net Debt at 31 st March	(72,218)
(6,746) Movement in Net Debt	1,143

45. ANALYSIS OF GOVERNMENT GRANTS

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

<u>2005/2006</u> <u>£000's</u>	<u>2006/2007</u> <u>£000's</u>
16,464 Housing Benefits	17,605
9,724 Council Tax Benefits	10,128
2,751 Children's Social Care	2,251

22,058	Education Grants	118,673
7,254	Adult Care Services	6,340
0	Probation	49
2,447	SRB/ERDF	300
6,944	Supporting People	6,856
3,503	Other Grants	3,608
<u>71,145</u>	TOTAL	<u>165,810</u>

46. 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>2006</u> <u>£000's</u>	<u>31st March</u> <u>2007</u> <u>£000's</u>	<u>Movement</u> <u>£000's</u>
Bank Overdraft	(6,692)	(6,351)	(341)
Cash in Hand and at Bank	1,757	2,084	(327)
TOTALS	<u>(4,935)</u>	<u>(4,267)</u>	<u>(668)</u>

HOUSING REVENUE ACCOUNT

HOUSING REVENUE ACCOUNT
INCOME AND EXPENDITURE ACCOUNT

This account relates to the provision, supervision and management of council houses, flats and sheltered accommodation. The requirement to keep a Housing Revenue Account separate from the General Fund Revenue Account and the format of it are specified by the Local Government and Housing Act 1989 ('1989 Act'). For 2006/7, the requirements for presenting accounting statements relating to the HRA have changed substantially. Paralleling the restructuring of the Consolidated Revenue Account, the transactions relating to the HRA have been separated into two statements:

- The HRA Income and Expenditure Account
- The Statement of Movement on the HRA Balance

As the Statement of Movement incorporates the surplus or deficit on the Income and Expenditure Account, it effectively meets the statutory requirement to include the HRA as a single statement in the Statement of Accounts.

As a result of these changes the 2005/6 comparative figures have been restated.

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

<u>2005/2006</u> <u>£000's</u>		<u>2006/2007</u> <u>£000's</u>	Note
	<u>Income</u>		
21,579	Dwelling Rents (gross)	22,443	1,2,9
207	Non-Dwelling Rents	209	
729	Charges for Services and Facilities	856	
189	Contributions towards expenditure	193	
<u>22,704</u>	Total Income	<u>23,701</u>	
	<u>Expenditure</u>		
6,942	Repairs and Maintenance	6,773	
7,876	Supervision and Management	8,146	
46	Rents, Rates, taxes & other charges	47	
3,127	Negative housing revenue account subsidy payable	3,115	8
4,672	Depreciation of fixed assets	4,789	3,5
11	Debt management costs	17	
92	Increased Provision for Bad & Doubtful Debts	233	10
<u>22,766</u>	Total Expenditure	<u>23,120</u>	
62	Net Cost of HRA Services as included in the whole authority Income and Expenditure Account	(581)	
11	HRA services share of Corporate and Democratic Core	11	
<u>73</u>	Net Cost of HRA Services	<u>(570)</u>	

912	Interest payable and other similar charges	1,046
6	Amortisation of premiums and discounts	4
(196)	Interest and investment income	(215)
795	(Surplus) or Deficit for the year on HRA Services	265

Statement of Movement on the HRA Balance

<u>2005/2006</u> <u>£000's</u>		<u>2006/2007</u> <u>£000's</u>	Note
795	(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	265	
1,050	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(88)	
1,845	(Increase) or decrease in the Housing Revenue Account Balance	177	
(3,700)	Housing Revenue Account surplus brought forward	(1,855)	
(1,855)	Housing Revenue Account surplus carried forward	(1,678)	

Note to the Statement of Movement on the HRA Balance

<u>2005/2006</u> <u>£000's</u>		<u>2006/2007</u> <u>£000's</u>	<u>2006/2007</u> <u>£000's</u>	Note
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year				
(50)	Difference between amounts charged to the Income and Expenditure Account for amortisation of premiums and discounts and the charge for the determined in accordance with statute	(50)		
(50)			(50)	
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year				
1,129	Capital expenditure funded by the HRA	-		4
(29)	Transfer to/(from) Major Repairs Reserve	(38)		3
1,100			(38)	
1,050	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year		(88)	

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>2006</u>		<u>2007</u>
Flats and Maisonettes		
2,351	1 Bedroom	2,318
838	2 Bedrooms	834
82	3 Bedrooms	60
243	Bedsitters	242
Houses & Bungalows		
810	1 Bedroom	809
1,901	2 Bedrooms	1,876
2,274	3 Bedrooms or more	2,244
<u>8,499</u>	TOTAL	<u>8,383</u>

The property numbers provided in the 2005/6 Statement of Accounts were slightly understated as they did not include some properties still within the Housing Stock but earmarked for disposal. The 2006 property numbers shown above have been amended to reflect the true position. Council house sales and other disposals account for the reduction in the Housing stock during the financial year.

The value of the housing stock was:-

<u>2006</u> <u>£000's</u>		<u>2007</u> <u>£000's</u>
330,270	Total Balance Sheet value as at 1 st April	284,103
1,456	Dwellings	1,376
<u>331,726</u>	Shops, Offices and Garage Colonies	<u>285,479</u>
	Total Operational Assets	
6,571	Additions	8,922
(34)	Certificated Revaluation – Shops and Offices	40
(45,041)	Housing Stock Revaluations	1,803
(4,672)	Depreciation	(4,788)
(3,054)	Sale of Council Houses	(2,647)
(17)	Sale of other Council Housing assets	0
<u>285,479</u>	Balance Sheet Value as at 31st March	<u>288,809</u>
284,103	Dwellings	287,403
1,376	Shops, Offices and Garage Colonies	1,406
<u>285,479</u>	Total Operational Assets	<u>288,809</u>

2. VACANT POSSESSION

- (i) The Vacant Possession Value (VPV) of dwellings within the Council's HRA as at 1st April 2006 was £614.248 million representing an increase of 1.05% over the 1st April 2005 figure of £607.840 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. The current adjustment factor of 48% for the North West and Merseyside Region was set in July 2005.

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>2005/06</u>	<u>£000's</u> <u>2006/07</u>
0 Balance as at 1st April 2006	1,160
	4,788
4,672 Transferred to MRR during the year	
0 Credit in respect of General Fund depreciation	8
(29) Transferred from MRR to HRA during the year	(38)
(3,483) Debits in respect of capital expenditure within HRA	(2,396)
<hr/>	<hr/>
1,160 Balance as at 31st March 2007	3,522

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>2005/06</u>	<u>£000's</u> <u>2006/07</u>
6,571 Capital Expenditure on HRA dwellings	8,923
175 Capital creditors and unfinanced expenditure b/f from 2004/2005	0
0 Capital creditors and unfinanced expenditure c/f to 2006/2007	0
<hr/>	<hr/>
6,746 Total Capital expenditure within the HRA to be financed	8,923
<hr/>	<hr/>
Financed By:	
12 Housing Balance Sheet Provision	7
2,120 ALMO borrowing	6,520

0 Usable Capital Receipts	0
10 SRB Grant	0
1,129 Revenue Contributions	0
3,475 Major Repairs Reserve	2,396
6,746 Total	8,923

Total capital receipts from the disposal of houses during the year was **£4.248 million**. This figure represents a decrease of 1.7% compared to the 2005/2006 figure of £4.321 million. It comprises total selling price net of Right to Buy discount, plus repaid discounts relating to previous sales.

5. DEPRECIATION

Authorities are required to charge depreciation on all HRA properties calculated in accordance with proper practices, including non-dwelling properties. In 2006/07, the total charge for depreciation for council houses was £4,750,252 (£4,643,000 in 2005/06) and for other property was £38,233 (£29,108 in 2005/06). The Major Repair Allowance is used as a proxy for depreciation of the council houses stock. It corresponds to a straight-line charge based on a 62-year useful life, and is considered to be a reasonable approximation.

6. IMPAIRMENT CHARGES

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

7. DEFERRED CHARGES

No deferred charges are attributable to the HRA.

8. 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 2006/2007

<u>£000's</u> <u>2005/06</u>		<u>£000's</u>	<u>£000's</u> <u>2006/07</u>
3,425	Management Allowance	3,857	
7,011	Maintenance Allowance	7,661	
4,643	Major Repairs Allowance	4,750	
15,079			16,268
1,753	Charges for Capital	1,958	
71	Admissible Allowance	35	
0	Rent Rebates	0	
0	Other items of reckonable expenditure	0	
0	Rental Constraint Allowance	39	
1,824			2,032
(20,032)	Guideline Rent Income	(21,472)	
(22)	Interest on Receipts	(16)	
(20,054)			(21,488)

(3,151) Subsidy Receivable From / (Payable to) ODPM	(3,188)
<u>24</u> Prior Year Adjustments	<u>73</u>
(3,127) Total Subsidy Receivable From / (Payable to) ODPM	(3,115)

9. RENT ARREARS

The rent arrears as at 1 April, 2006 totalled £1,354,110 and at 31 March, 2007 they totalled £1,401,950. 47.9% of the arrears at 31 March 2007 related to current tenants (44.2% at 31st March 2006) and 52.1% related to former tenants (55.8% at 31st March 2006).

10. BAD DEBT PROVISION

<u>£000's</u> <u>2005/06</u>	<u>£000's</u> <u>2006/07</u>	<u>£000's</u> <u>2006/07</u>
1,364 Opening Bad Debt Provision		1,240
92 Charged to HRA 2006/2007	233	
(248) Written off	(190)	
<u>32</u> Reinstated previously written off amount	<u>21</u>	
(124) Net Increase 2006/2007		64
1,240 Closing Bad Debt Provision		1,304

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>2005/2006</u>		<u>2006/2007</u>	<u>Note</u>
<u>£000's</u>		<u>£000's</u>	
	<u>INCOME</u>		
(59,328)	Income from Council Tax Payers	(62,574)	1
(1)	Community Charge Payers	(1)	
	Transfers from General Fund		
(9,596)	Council Tax Benefit	(10,108)	
1	Other Income	(1)	
		(38,191)	2
<u>(35,497)</u>	Income from NNDR payers		
		<u>(110,875)</u>	
<u>(104,421)</u>	TOTAL INCOME		
	<u>EXPENDITURE</u>		
68,449	Precepts on the Collection Fund	72,434	3
	NNDR		
35,265	Payments to National Pool	38,067	
232	Cost of Collection	233	
1	Interest Payable net of refunds	(1)	
	Bad and Doubtful Debts		
399	Increased/(Reduced) Provision	352	
	Transfer of Previous Year's Estimated Surplus		
250	To General Fund	250	
36	To Major Preceptors	37	
<u>104,632</u>	TOTAL EXPENDITURE	<u>111,372</u>	
211	FUND DEFICIT/ (SURPLUS) FOR THE YEAR	497	
24	PRIOR YEAR ADJUSTMENT	(187)	
<u>(556)</u>	BALANCE BROUGHT FORWARD	<u>(321)</u>	
<u>(321)</u>	BALANCE CARRIED FORWARD	<u>(11)</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	24,063	6/9	16,039
B	£40,000 to £52,000	15,351	7/9	11,940
C	£52,000 to £68,000	15,131	8/9	13,449
D	£68,000 to £88,000	8,099	1	8,099
E	£88,000 to £120,000	4,919	11/9	6,013
F	£120,000 to £160,000	1,638	13/9	2,366
G	£160,000 to £320,000	1,209	15/9	2,014
H	More than £320,000	121	18/9	242
		70,531		60,162
	Less allowance for losses on collection			(1,203)
	COUNCIL TAX BASE 2006/2007			58,959

- i) The actual number of properties was 79,080 but after adjusting for single person discounts, empty properties etc, the notional number of dwellings is 70,531.
- ii) The Band D Council Tax levied for the year was **£1,228.54** (£1172.27 in 2005/2006).

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 2006/2007 was **43.3p** in the pound (42.2p in 2005/2006) and at 31st March 2005 the estimated non-domestic rateable value of the Borough was **£105.299 million** (£104.828 million at 31st March 2006). In addition 2006/07 reflected the introduction of the Small Business Rate which was set at **42.6p** in the pound (41.5p for 2005/06). 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>2005/2006 £000's</u>	<u>2006/2007 £000's</u>
Bury MBC	59,682	63,174
Greater Manchester Police Authority	6,155	6,525
Greater Manchester Fire & Civil Defence Authority	2,612	2,735
TOTAL	68,449	74,434

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, reconciliation of the single surplus for the year to the group surplus, statement of Total recognised gains and losses, balance sheet and cash flow statement; 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 Statements 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 2007.

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 2006 to 31 March 2007, therefore no adjustments are required regarding the accounting year.

4. Accounts

Six Town Housing's Statement of Accounts 2006/07 have been audited by PKF (uk) and are to be submitted to their Audit and Standards Committee on Tuesday 3 July 2007, followed by the Board on 18 July 2007 and AGM meeting on 29 August 2007 for approval.

Copies of Six Town Housing Ltd 2006/07 Statement of Accounts can be obtained from Six Town Housing Finance Department, Point Blue, Moor Street, Bury BL9 5AQ.

GROUP INCOME AND EXPENDITURE ACCOUNT 2006/07

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>2005/2006</u>		<u>2006/2007</u>			
<u>Net Expenditure</u>		<u>Gross Expenditure</u>	<u>Income</u>	<u>Net Expenditure</u>	<u>Notes</u>
<u>£000's</u>		<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	
2,837	Central Services to the Public	29,488	(26,124)	3,365	
1,284	Non-Distributed Costs	3,867	(34)	3,833	
285	Court Services	291	(49)	242	
	Cultural Environmental & Planning Services	50,773	(21,902)	28,871	
25,641					
109,076	Education Services	162,652	(150,885)	11,767	
18,071	Highways Roads & Transport Services	28,335	(8,559)	19,776	
(2,081)	Local Authority Housing (HRA)	(3,394)	(10,199)	(13,593)	
	Other Housing Services	40,191	(37,042)	3,148	
50,101	Social Services – Adults	86,318	(34,690)	51,629	
4,959	Corporate & Democratic	5,365	3,520	8,885	
167	Other Operating Income & Exp.	933	(505)	428	
210,339	NET COST OF SERVICES	404,819	(286,469)	118,351	
-	Gain or loss on disposal of fixed assets				
2,157	Surplus or deficit of trading undertakings			6,165	
3,222	Amounts payable into the Housing Capital Receipts Pool			3,051	
4,731	Interest payable			5,147	
(1,618)	Interest and Investment Income			(2,070)	
	Pensions interest cost and expected return on pensions assets			(126)	
294					
26	Taxation of group entities			42	
-	Extraordinary items			0	
219,151	NET EXPENDITURE			130,560	
(59,682)	Demands or precepts on the Collection Fund			(63,424)	
(250)	Transfer to/from the Collection Fund in respect of previous year's deficit/surplus				
(84,589)	Government grants			(11,654)	
(60,610)	Distribution from non-domestic rate pool			(47,489)	
14,020	NET (SURPLUS)/DEFICIT FOR THE YEAR			7,993	

RECONCILIATION OF THE SINGLE ENTITY SURPLUS OR DEFICIT FOR THE YEAR TO THE GROUP SURPLUS OR DEFICIT

2005/06 £000's	2006/07 £000's
14,644 (Surplus) / deficit for the year on the Authority Income and Expenditure Account	9,189
0 Adjustments for transactions with other group entities	0
14,644 Surplus / Deficit in the Group Income and Expenditure Account attributable to the Authority (Surplus) / deficit in the Group Income and Expenditure Account attributable to group entities (adjusted for intra-group transactions):	9,189
(624) Subsidiaries	(1,196)
Associates	
Joint Venture	
14,020 Surplus / Deficit for the year on Group Income and Expenditure Account	7,993

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2005/06 £000's	2006/07 £000's
14,020 Net (surplus) or deficit for the year on the Income and Expenditure Account	7,993
59,912 (Surplus) / deficit arising on revaluation of fixed assets	(175)
30,596 Actuarial (gains) / losses on pension fund assets and liabilities	(33,184)
(10,593) Any other (gains)/losses for the year	(11,460)
93,932 Total Recognised Gains for the Year	(36,826)

GROUP BALANCE SHEET AS AT 31 MARCH 2007

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.

GROUP CONSOLIDATED BALANCE SHEET						
<u>31 MARCH 2006</u>			<u>31 MARCH 2007</u>			
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>		<u>Note</u>
		<u>FIXED ASSETS</u>				
		Intangible Assets				
		Goodwill				
3,948		Other Intangible assets	4,897			
	3,948	Operational Assets		4,897		
285,479		Council Dwellings	288,809			
204,403		Other Land & Buildings	202,381			
1,497		Vehicles & Plant	1,362			
25,658		Infrastructure Assets	26,248			
370		Community Assets	608			
30,948	548,355	Other Non-Operational Assets	39,022	558,430		
	552,303	TOTAL FIXED ASSETS		563,327		
		<u>LONG TERM INVESTMENTS</u>				
10,214	10,214	Manchester Airport PLC	10,214	10,214		
		<u>LONG TERM DEBTORS</u>				
10,220		Loan Accounts	9,707			
128		Deferred Premiums on Early Repayment of Debt	107			
29	10,376	Debt Managed on Behalf of Other Local Authorities	26	9,840		
		<u>CURRENT ASSETS</u>				
1,107		Stocks & Work in Progress	1,268			
6,600		Short Term Investments	35,350			
25,957		Sundry Debtors & Advance Payments	38,714			
5,373	39,037	Cash in Hand	6,496	81,828		
		<u>LESS: CURRENT LIABILITIES</u>				
(2,260)		Short Term Loans Outstanding	(287)			
(211)		Deposits & Clients' Funds	(158)			
(35,146)		Sundry Creditors & Advance Receipts	(42,404)			
(6,692)	(44,310)	Cash Overdrawn	(6,352)	(49,201)		
	567,621	TOTAL ASSETS LESS CURRENT LIABILITIES		616,008		
		<u>LESS: LONG TERM LIABILITIES</u>				
		Loans Outstanding:				
(83,141)		External	(112,854)			
(9,617)		Deferred Liabilities	(9,141)			
(3,798)		Government Grants - Deferred	(7,137)			
(279)		Deferred discounts on the early repayment of debt	(337)			
(118,688)		Pension Liability	(93,067)			
(13,151)	(228,674)	Provisions	(17,699)	(240,235)		
	338,947	TOTAL NET ASSETS		375,773		

31 MARCH 2006		GROUP CONSOLIDATED BALANCE SHEET			
£'000	£'000		£'000	£'000	Note
-					-
		FINANCED BY :			
		RESERVES AND OTHER BALANCES			
303,112		Fixed Asset Restatement Account	297,346		
124,056		Capital Financing Account	126,858		
503		Useable Capital Receipts Reserve	0		
(117,700)		Pensions Reserve	(92,400)		
1,160		Major Repairs Reserve	3,522		
27,816		Fund Balances and Reserves	40,447		
	338,947	TOTAL GROUP BALANCES AND RESERVES		375,773	

GROUP CASH FLOW STATEMENT 2006/07

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

2005/2006		Group Cash Flow Statement		2006/07	
£000's		£000's		£000's	
		Net Cash Inflow from Revenue Activities			
(11,013)		Net Cash (Inflow) / Outflow		(10,410)	
(1,250)		Dividends from Joint Ventures and Associates		(1,250)	
		Returns on Investments and Servicing of Finance			
		Cash Outflows			
2,947		Interest paid	5,568		
0		Finance lease interest paid	0	5,568	
2,947					
		Cash Inflows			
(924)		Interest received	(2,071)		
0		Dividends received from investments	0	(2,071)	
(924)					
26		Taxation		27	
		Capital Expenditure and Financial Investment			
		Cash Outflows			
28,039		Purchase of fixed assets	20,920		
0		Purchase of long-term investments	0		
3,222		Other capital cash payments	3,051	23,971	
31,261					
		Cash Inflows			
(6,719)		Sale of fixed assets	(4,847)		
(10,504)		Capital grants received	(12,927)		
0		Other capital cash receipts	0	(17,774)	
(17,223)					
(694)		Acquisitions and Disposals	0	0	
3,130		Net Cash Inflow before Financing		(1,939)	

	Management of Liquid Resources		
950	Net increase/decrease in short term deposits		28,750
	Financing		
	Cash Outflows		
33,307	Repayment of amounts borrowed	37,411	
0	Capital element of finance lease rental payments	0	37,411
33,307			
	Cash Inflows		
(976)	Net Receipts from Long Term Debtors	(536)	
(40,800)	Long term loans raised	(65,150)	(65,686)
(41,776)			
(4,389)	Net Decrease in Cash		(1,464)

M. Owen

M. OWEN C.P.F.A.
Director of Finance & E-Government
28 June, 2007

Notes to the Group Statements

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. 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.

5. 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.

6. 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
		100

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 14 (page 59).

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 2006/07 Six Town Housing made a net operating surplus of £1,196m (£0.624m in 2005/06). However after taking into account the actuarial gain, to comply with FRS 17 "accounting for pension costs" of £0.505m, a total recognised gain of £1,701m was recorded (a loss of £0.353m in 2005/06)

Bury MBC paid management fees of £12.6m in 2006/07 (£12.2m 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 £13.2m (£11.2 m in 2005/06). Six Town Housing charged the authority £0.9m (£0.7m in 2005/06) for services provided to the Authority.

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

2005/2006	GROUP RECONCILIATION OF REVENUE CASH FLOW	2006/2007	
<u>£000's</u>		<u>£000's</u>	<u>£000's</u>
1,434	DEFICIT FOR THE YEAR ON REVENUE ACCOUNT		9,189
(505)	Six Town Housing Surplus		(996)
	Non Cash Movements in Revenue Account:		
(9,627)	Provision for Depreciation	(6,667)	
3,259	Other Provisions	4,548	
(2,997)	Minimum Revenue Provision	(3,762)	
1,486	Contributions from / (to) Revenue Reserves	(9,063)	
(703)	Other non-cash Movements	(7,242)	
(8,582)			(22,186)
	Movements in Current Assets and Liabilities:		
(288)	Increase / (Decrease) in Stock	161	
548	Increase / (Decrease) in Revenue Debtors	8,046	
(3,402)	(Increase) / Decrease in Revenue Creditors & Advance Receipts	(2,161)	
(3,142)			6,046
	Items shown elsewhere in the Cash Flow Statement:		
(2,947)	Interest Paid	(5,568)	
785	Interest Received	1,855	
1,250	Dividend Income	1,250	
694	Investment Income	0	
(218)			(2,463)
	NET CASH INFLOW FROM REVENUE ACTIVITIES		
(11,013)			(10,410)