



***FINANCIAL
MANAGEMENT
SERVICES***

STATEMENT

OF

ACCOUNTS

2008/2009



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Introduction by Councillor Iain Gartside, Executive Member for Resource

I am delighted to welcome you to the Council's Statement of Accounts for 2008/09.

The Accounts play a vital part in providing 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, which is part of the Comprehensive Performance Assessment (CPA), the Council has again been scored 3 out of 4 by the Audit Commission, which means that overall we are performing well. The 2008 assessment was the final assessment under the CPA framework for single tier, county councils and district councils. The assessment for 2009/10 will be the first under the new Comprehensive Area Assessment (CAA) framework being introduced from 1 April 2009. Bury Council is now rated as a four star 'excellent' council by the Audit Commission. This rating recognises the council's commitment to providing first class services and providing good value for money.

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 £510million this is a very commendable performance. More than £52million 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 have improved 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 embedded that allows 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. A summary format of the council's financial performance will also be available on the Internet and in hard copy. In 2008/09 the budget for the year was overseen by my colleague, Peter Redstone, the Executive Member for Resource at the time, and I am extremely grateful for the work that he put into the process. I would also like to say thank you to everyone who takes the time to read the Accounts; I hope you find them helpful and informative.



**Councillor Iain Gartside
Executive Member for Resource**

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, 25 June, 2009.

Signed on behalf of Bury Metropolitan Borough Council:

S Penketh
Chair of the Audit Committee
25 June, 2009

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).

BVACOP

The Best Value Accounting Code of Practice (BVACOP) was established to modernise the system of local authority accounting and reporting to ensure it meets the changed and changing needs of modern local government; particularly the duty to secure and demonstrate best value in the provision of services to the community.

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 **fixed assets**.

The charge in 2008/09 represents **Depreciation** which is:

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 useful life of the asset.

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.

IMPAIRMENT OF FIXED ASSETS

The primary meaning of Impairment is a reduction in the economic value of a fixed asset, arising from e.g. damage such as fire or vandalism, or changed use following demolition.

Further to the introduction of the new Revaluation Reserve in 2007/08, 'valuation' impairments also now occur, relating to downward revaluations (arising from general fall in market prices) and the treatment of capital expenditure not capitalised as fixed assets (non-enhancing spend).

Both 'economic use' and 'valuation' impairments are treated in the same way as depreciation, i.e. a charge to the service revenue accounts reversed out through the Statement of Movement on the General Fund Balance.

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 of 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.

STATEMENT OF RECOMMENDED PRACTICE (SORP)

This specifies the principles and practices of accounting required to prepare a Statement of Accounts which 'presents fairly' the financial position and transactions of a local authority and includes group financial statements where a local authority has material interests in subsidiaries, associates or joint ventures.

EXPLANATORY FOREWORD

EXPLANATORY FOREWORD

These Accounts have been prepared in accordance with and comply 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 2008 SoRP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Accounts comprise several core financial statements and related notes, which are intended to present fairly the financial position and transactions of Bury Council (the Authority). They give details of the Authority's income and expenditure for the financial year, which ran from **1st April 2008** to **31st March 2009** along with details of the assets and liabilities of the Council at **31st March 2009**. Wherever it is relevant the corresponding figures for the last financial year, 2007/2008, are also shown for comparison. Briefly, the purpose of the individual statements is as follows:-

CORE FINANCIAL STATEMENTS

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 52.

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 2009 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 (supplementary statement)

shows the revenue income and expenditure on council housing.

THE COLLECTION FUND (supplementary statement)

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.

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 overspent its budget, as revised in July 2008, by **£0.010m**. 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 2009 the borough's schools had accumulated a total underspending against their budget of **£6.591m**. 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 2008/2009 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 2009/2010 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 2 September, 2009.

Detailed outturn and variation reports will be submitted to the Resource & Performance Scrutiny Commission on 27 August, 2009 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 2008/2009 was: -

	<u>Revised Estimate £000's</u>	<u>Actual £000's</u>	<u>Difference £000's</u>
Net cost of Bury services	132,433	132,443	10
Precepts :-			
Police	7,435	7,435	0
Fire	2,957	2,957	0
TOTAL NET EXPENDITURE	142,825	142,835	10
Financed from:-			
Revenue Support Grant	(7,711)	(7,711)	0
Business Rates Pool	(55,392)	(55,392)	0
Council Tax	(79,608)	(79,608)	0
Collection Fund	(142)	(142)	0
(SURPLUS) / DEFICIT	(28)	(18)	10

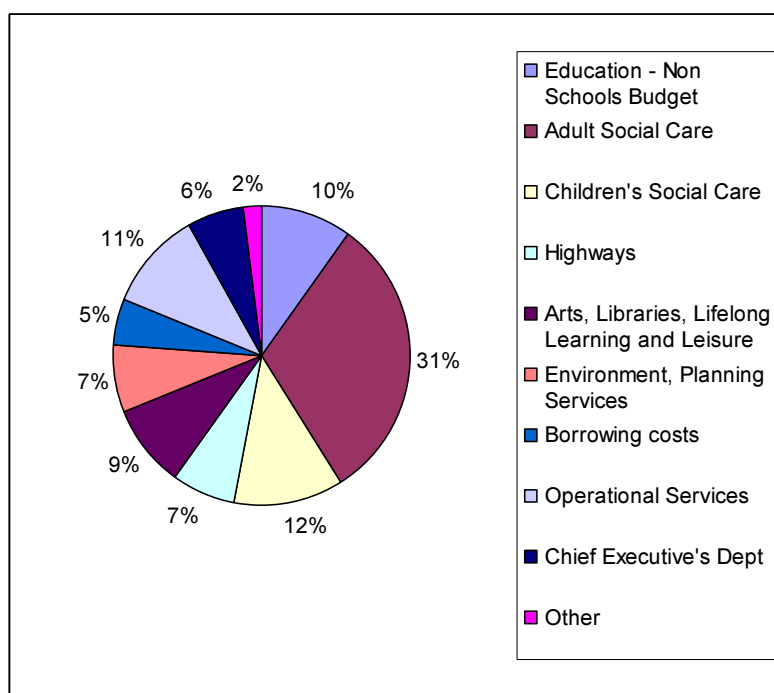
The **£0.028million** surplus shown at Revised Estimate relates to contributions to general fund balances.

The Corporate Revenue Outturn Report which will be considered by the Executive on 2 September, 2009 details the overall performance of the Council in 2008/2009.

Major Variances, details of which can be found in the Revenue Outturn report, included:

Service Area	£000's
Environment and Development Services	498
Adult Care Services	2,488
Cost of Borrowing	(2,584)
Housing	(156)
Education – Non Schools Budget	(39)
Children's Social Care	(2)
Chief Executive's Dept.	32
Other Variances	(227)
Total	10

The Council spent £132.443m (excluding precepts) in 2008/09 as follows



	£M
Education – Non Budget Schools	13.092
Adult Social Care	40.230
Children's Social Care	16.091
Highways	8.836
Arts, Libraries, Lifelong Learning and Leisure	11.449
Environment and Planning Services	9.410
Operational Services	14.421
Borrowing costs	6.421
Chief Executive's Dept	8.920
Other	3.573
Total	132.443

CAPITAL OUTTURN

Total Capital Expenditure achieved in the year was £52.184 million.

In addition to the figures shown for the year, Bury's Voluntary Aided schools received £2.358m from the Department for Children, Schools and Families for the modernisation of the voluntary sector aided schools.

For information on how Capital Expenditure was financed, refer to Note 23 (page 75).

Expenditure on capital schemes undertaken by Council services in the year are detailed below:-

<u>SERVICE</u>	<u>PROJECT</u>	<u>£000's</u>	<u>£000's</u>
Chief Executive's	Corporate ICT Projects	796	
	Safer, Stronger Communities	56	852
Adult Care Services	Older People Services	67	
	Learning Disabilities	4	
	Improving Information Management	5	76
Children's Services	Children's Support Services	97	
	Computers for Schools	411	
	DCSF – Diploma Gateway	130	
	Devolved Formula Capital	2,457	
	Modernisation / New School	2,513	
	Access Initiatives	303	
	Targeted Capital Funding	7,971	
	Schools – New Build	5,890	
	Children Centres	2,761	
	Youth Capital	85	
	Playbuilder	334	
Schools – Other Projects	23	22,975	
Arts, Libraries and Adult Learning	Ramsbottom Library Co-location	40	
	Library Development Programme	17	
	Big Lottery Fund – Community Libraries	51	108
Planning Services	Development Group Schemes	1,280	
	East Lancashire Railway Trust	58	
	Environmental Projects	179	1,517
Property Services	Invest to Save bid - Bradley Fold SME Units	57	
	Invest to Save bid – Humphrey House	1,061	
	Townside Relocation	49	
	Cost of property sales and purchases	2	1,169

Leisure Services	Parks and Countryside	318	
	Liveability	43	
	Play Areas	268	
	Cleaner Safer Greener - Phase 2	38	
	Free Swimming Programme	33	700
Highways and Transportation	Highways Network Services	1,576	
	Bridge Repairs and Maintenance	351	
	Bus Priority Schemes	126	
	Cycling Strategy	80	
	Walking Strategy	12	
	Other Transportation & Parking Schemes	260	
	Traffic Management & Road Safety Schemes	597	3,002
Housing Private Sector	Empty Properties	4	
	Financial Assistance	1,197	
	Pimhole – Property Improvements	177	
	Pimhole - Clearance	55	
	Disabled Facilities Grants	1,037	
	Disabled Facilities Adaptations	648	
	Capital Salaries - Private Sector	188	3,306
Environmental	Air Pollution Monitoring	13	13
Other Services	Extension of Recycling Initiative	108	
	Revenue Capitalisation	519	
	Health & Safety	52	
	Asset Management System	3	
	Refurbishment Backlog	1,062	
	Ramsbottom Civic Hall	108	
	Grounds Maintenance Equipment	190	
	The Fusiliers' Museum	250	2,292
Housing Public Sector	Asbestos Removal	21	
	Environment/Security Work	121	
	Energy Efficiency	994	
	Modernisations	7,152	
	Roofing Schemes	6,295	
	Windows	24	
	Miscellaneous Housing Schemes	1,567	16,174
TOTAL		52,184	52,184

The Capital Programme is funded from a variety of funding sources. To achieve effective 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		50,136
Intangible assets		796
Vehicle, Plant and Equipment		1,252
Total		52,184
<u>Financed by:</u>	<u>£000's</u>	<u>£000's</u>
Loan	18,773	
Capital Receipts	4,942	
Grants & Contributions	19,761	
Revenue	268	
Reserves	259	
Major Repair Allowance	8,181	52,184
Total		52,184

BORROWING OUTTURN

During 2008/09 £10m of new PWLB loans were taken out to fund capital investment. One PWLB loan of £1m was repaid.

Rescheduling of the loans portfolio occurred to reduce finance costs. This included the rescheduling of £19m of PWLB loans and £5m of market loans. An analysis of movements on loans at nominal values during the year is shown below:

	Balance at	Loans Raised	Loans Repaid	Balance
	£000s	£000s	£000s	£000s
PWLB	65,309	29,000	20,000	74,309
Market	39,000	5,000	5,000	39,000
Other loans	3	0	0	3
Bury MBC Debt	104,312	34,000	25,000	113,312

Airport PWLB Debt	<u>8,542</u>	<u>0</u>	<u>316</u>	<u>8,226</u>
Total Debt	<u>112,854</u>	<u>34,000</u>	<u>25,316</u>	<u>121,538</u>

HOUSING

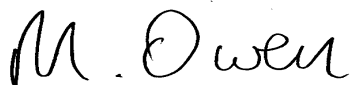
The Housing Revenue Account (HRA) on page 99 produced a deficit of **£0.617 million** during the year. This was against an estimated deficit for the year of £0.609 million.

COLLECTION FUND

The information shown on page 106 demonstrates that at 31st March 2009 there was a surplus balance on the Collection Fund of **£0.073 million**. This sum will be utilised in 2009/2010 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 16 July 2009 and the External Auditor will be available for questioning on or after 17 August 2009. This facility will be advertised in the local press.



M. OWEN, C.P.F.A.
Director of Finance & E-Government
25 June 2009

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BURY COUNCIL

Annual Governance Statement 2008/09

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 putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Authority has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.bury.gov.uk or can be obtained from;

Head of Strategic Finance
Town Hall
Knowsley Street
Bury MBC
BL9 0SP

This statement explains how Bury MBC has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit Regulations 2006 in relation to the publication of a statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

The governance framework has been in place at Bury MBC throughout the year ended 31 March 2009, and up to the date of approval of the statement of accounts.

3. 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 2008/09.

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 a 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 (and Team Bury) 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> <ul style="list-style-type: none"> • supported by clear and measurable objectives with targets and indicators • the driver for deciding what services will be provided by or commissioned by the partnership, the quality and the cost.
<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>

Core Principle	Supporting Principles	Specific Actions
		<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 • that representatives or organisations make clear to all other partners the extent of their authority to bind their organisation to partner decisions <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 (s151 officer) 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. Staff and Member awareness of ethical standards has been raised during 2008/09 via an on-line e-learning package.</p>

Core Principle	Supporting Principles	Specific Actions
		<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>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>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> <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 whistleblowing, to which all staff and all those contracting with the Authority have access</p> <p>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>A Governance Panel oversees the Council's ethical framework, and monitors compliance on a quarterly basis</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</p> <p>Effective arrangements are in place to record declarations of interest and offers of gifts & hospitality</p> <p>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 integral to the core functional activities and 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</p>

Core Principle	Supporting Principles	Specific Actions
		<p>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 Authority so that best use can be made of resources in balancing continuity and renewal.</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> <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</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>

Core Principle	Supporting Principles	Specific Actions
	<p>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>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 whistleblowing which are accessible to staff and those contracting with the authority, and arrangements for the support of whistleblowers, 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> <p>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.</p>

4. RISK MANAGEMENT

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

Significant business risks that may impact upon the Council and its key partnership priorities (Team Bury) have been identified and mapped, and appropriate control measures are in place.

During 2008/09, the Council continued to build upon its approach to the management of risk within partnership working arrangements as follows;

- Further development of the Council's "Partnership Code of Practice";
- Identification of the Council's significant Partnerships;
- Development of a Partnership risk register (Bury MBC view) in respect of significant Partnerships;
- Population of a "Team Bury" risk register using the Council's Partnership Risk Assessment Model;
- Mapping of the Council's corporate risks to "Team Bury" ambitions.

The Council has undertaken over 200 Business Impact Assessments covering all service areas to assess criticality of services and to establish a baseline for business continuity arrangements.

A revised Corporate Business Continuity Plan was adopted in December 2007, and passed as "fit for purpose" by inspectors in the Council's Corporate Assessment. This plan has now been updated, and the focus now is to further develop Business Continuity / Recovery Plans at individual service level. This work is being prioritised – dealing with "Priority 1" service areas first.

The Council's Corporate Risk Register is summarised below, tracking risk scores and levels at quarterly intervals:

CORPORATE RISK REGISTER 2008/09

RISK EVENT	Q1	Q2	Q3	Q4
Budget is unsustainable and inadequate to support the achievements of the Council's Priorities and Ambitions	3 Low	6 Medium	6 Medium	6 Medium
Absenteeism levels are unacceptably high (as measured by BVPI targets)	6 Medium	6 Medium	6 Medium	6 Medium
Continue to develop and implement preparations and improvement programme for Comprehensive Area Assessment	6 Medium	6 Medium	6 Medium	6 Medium
Failure to effectively revise working practices to realise the full potential of new ICT systems now in place	3 Low	4 Low	4 Low	4 Low
Failure to comply effectively with established partnership governance arrangements within the Council and Team Bury	3 Low	3 Low	3 Low	3 Low
Children' Services are unable to meet existing and/or future demands within existing parameters	3 Low	3 Low	3 Low	3 Low
Arrangements for workforce development do not support the provision of a "fit-for-purpose" workforce	3 Low	6 Medium	6 Medium	6 Medium
Demands for Adult Social Care out-strip the available resources and capacity	6 Medium	9 High	9 High	9 High
Disaster Management policies practices and manuals are ineffective	6 Medium	4 Low	4 Low	4 Low
Back-log against Maintenance Programme	6 Medium	6 Medium	6 Medium	6 Medium
Relocation of Travellers Site	4 Low	6 Medium	6 Medium	6 Medium
Transfer to DLO to 6 Town Housing	6 Medium	Risk Removed	Risk Removed	Risk Removed
To effectively implement Pay & Grading Review in line with NJC pay agreement 04/07	16 High	16 High	16 High	16 High
Risk of deteriorating economic climate impacting upon the Council's financial wellbeing, and also leading to increased levels of support / service demands from the public.	N/A	4 Low	4 Low	4 Low
Transportation Innovation Fund - Congestion Charging	8 High	Risk Removed	Risk Removed	Risk Removed
Loss of control through the development of joint working across partnerships	3 Low	Risk Removed	Risk Removed	Risk Removed

The most significant risk the facing the Council throughout 2008/09 has been the on-going Pay & Grading Review in response to the requirements of Single Status. The Council has now set its pay line, concluded consultation with the Trades Unions, and is set to implement the new pay structure with effect from September 2009. The risk remains high for monitoring purposes, until implementation is complete.

5. REVIEW OF EFFECTIVENESS

The Council is required to conduct a continuous review of the effectiveness of its governance framework including the system of internal control.

This is achieved through the following;

- The Council is fully committed to operating the highest standards of ethical governance throughout the organisation. During 2008/09 an on-line e-learning package was developed to raise awareness at staff and member level. As at 31st March 2009, 86% of senior staff had successfully completed this training.
- Quarterly meeting of "Governance Panel" comprising; Director of Finance & E-Government (s151 officer), Director of Legal & Democratic Services (Monitoring Officer), Head of Strategic Finance and Head of Internal Audit
- Continuous review of governance arrangements, and a quarterly update of the Governance Statement – reported to and approved by Audit Committee.
- The Council is keen to draw upon examples of good practice operating elsewhere, and to this end has signed up to the CIPFA "Better Governance Forum", and now also subscribes to the "Red Book" compiled by CIPFA's "Counter Fraud Advisory Panel".
- 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 Area Agreement (BVPIs/LAA); and bi-annual monitoring of the Bury Plan. Internal Audit reviews the effectiveness of the data collection processes that underpin the internal and external reporting of BVPIs. Each summer the lead Members and officers hold a Strategic Forward Planning Event, in order to review performance and re-define corporate objectives, priorities 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 as necessary. 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 review the work of the Council throughout the year and also report annually to Council.
- The Council has introduced a corporate system to receive and reference incoming complaints, allowing the response to be tracked, and progress to be reported to Senior Management.
- The Executive Directors have each reviewed the operation of key controls throughout the Council, from the perspective of their own departments, using a detailed checklist. They have provided a signed assurance statement and identified any weaknesses or reservations for inclusion in an improvement programme.
- 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 (s151 officer) prepares quarterly Risk Management reports reviewing activities and progress, and has reviewed the Local Code of Corporate Governance.

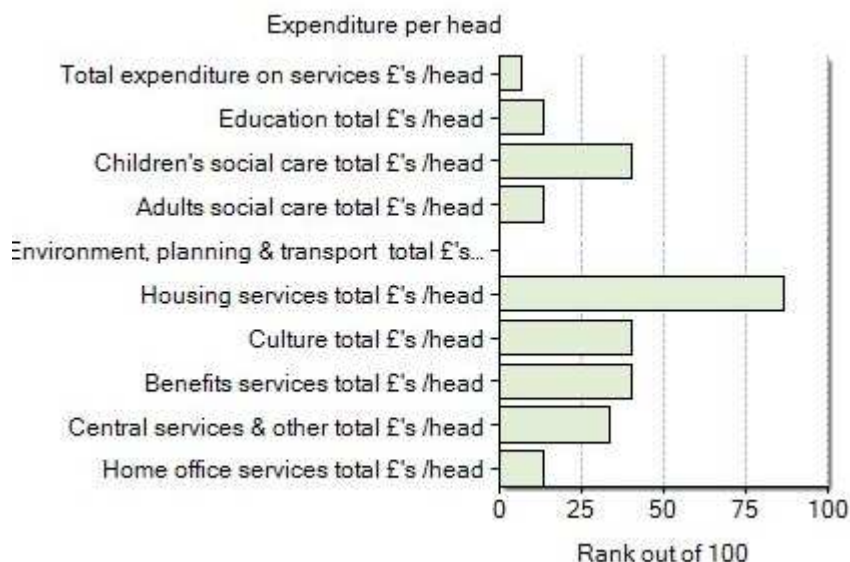
- The Standards Committee is responsible for standards and probity, and receives regular reports from the Monitoring Officer.
- The Audit Committee carries out an overview of the activities of the Council's internal and external audit functions. Members are provided with copies of all reports produced by Internal Audit and by the Council's external auditors (KPMG). 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 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.
- In 2008, the Internal Audit Section again subscribed to the CIPFA Internal Audit Benchmarking Club. An assessment of the service concluded that it achieved upper quartile compliance of 93% (previously 92%) with the "CIPFA Code of Practice for Internal Audit in Local Government (2006)". An action plan has been developed to further improve 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 an action 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.

The Audit Commission has published VFM profiles for the Council; these confirm the Council is operating efficiently, with most major service costs in the lower two quartiles.



A programme of Best Value reviews is in place targeting those services with high cost / poor performance issues.

In the Council's Corporate Assessment, inspectors confirmed;

"The Council has a strong focus on Value for Money. There is a strategic approach to efficiency, supported by a programme of service reviews which has delivered financial savings and service improvements, and ensured that further resources are targeted at priorities."

Pressures remain in respect of Housing Management Costs and these continue to be examined through a programme of budget reviews – overseen by the Resource and Performance Scrutiny Commission.

Similarly, in agreeing the management fee payable to Six Town Housing, the Council has set a 3% target for efficiency savings.

7. USE OF RESOURCES AUDITOR JUDGEMENT

In December 2008, 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"*. It should also be noted that the assessment criteria for each factor are continually revised and have become increasingly demanding year upon year.

Key Line of Enquiry	2005 Score	2006 Score	2007 Score	2008 Score
Financial Reporting	1	3	3	3
Financial Management	2	3	3	3
Financial Standing	2	2	3	3

Internal Control	2	2	3	3
Value for Money	3	3	3	3

Work is now underway to prepare for the 2009 assessment, which again is more challenging, and introduces a wider scope, e.g. use of natural resources and environmental considerations.

Feedback from the Audit Commission confirms the 2009 assessment will equate to a harder test; to the extent that they expect on average to see Authority scores reducing by a factor of one.

Overall, the Council achieved **4 Star "Excellent"** rating in its Comprehensive Performance Assessment.

8. GROUP ACTIVITIES

The Council's only Group activities relate to the ALMO, Six Town Housing.

From an internal control perspective;

- Six Town Housing utilise the Council's corporate systems and are safeguarded by the controls therein;
- Six Town Housing finance staff are included in all council wide finance working groups / meetings;
- There are regular monitoring meetings between the Chief Executive Six Town Housing and the Council's s151 officer;
- Six Town Housing have their own appointed external auditor;
- Equally, Six Town Housing are subject to examination by the Council's own Internal Audit team;
- Six Town Housing have adopted the Council's Risk Management toolkit.

An assurance statement has been received from the Acting Chief Executive of Six Town Housing confirming that effective Governance arrangements are in place.

9. SIGNIFICANT GOVERNANCE 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:

Work of Internal Audit

The Annual Report and Opinion by the Head of Internal Audit states;

"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 Internal Audit section reviews the core functional activities of the Council in accordance with professional standards and in line with a risk based plan. During 2008/09 70 Internal Audit reports were produced resulting in 455 recommendations. In addition, the Financial Management Standard in Schools (FMSIS) was successfully applied to 22 schools.

Internal Audit recommendations are ranked according to risk; the following were ranked as high risk during 2008/09:

Service Area	Findings	Action
Primary School	During the audit of a Primary School, it was found that school records were not being reconciled with the Council's official ledger.	Regular reconciliations are now taking place
Creditor Payments	Inadequate control procedures in Departments led to erroneous payments being made.	The majority of errors have been remedied; procedures are being tightened in Departments and continually monitored. The Council has implemented a new ordering / invoice system wef May 2009.
Highways Maintenance	Delays were identified in the system for raising invoices to third parties	Procedures have been reviewed to eliminate delays.

View of External Audit

The 2007/08 External Auditors' report to "those charged with Governance" concluded that;

"We are satisfied that, in all significant respects Bury Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources"

The Auditors' ISA 260 report highlighted the following improvement points for the Council, prioritised Red / Amber / Green;

Issue	Detail	Status
Group Accounts – Agreement of Balances	The audit identified that formal agreement of balances had not been undertaken, however gained assurance there was no material mis-statement. Best practice would be to formally agree balances.	Green
Sundry Bad Debt Provisions	During 2007/08 the Authority has undertaken a large amount of work in defining its bad debt policies; the key for 2008/09 is to ensure that the agreed policies are applied to debtor balances in the accounts	Amber

These points have been addressed in compiling the 2008/09 accounts.

10. LOOKING AHEAD - 2009/10

Looking forward to 2009/10, the Council is proactively responding to a number of challenges;

- It is clear that funding will present a challenge to all public sector organisations as increasingly scarce resources are required to support increasing customer demands and expectations. Managing these expectations, and ensuring efficient and effective use of resources will be a significant challenge going forward.

- The potential for collaborative working with other Local Authorities / other agencies is increasing, and offers scope for significant efficiencies and service improvements. These arrangements present a test for the Council's governance arrangements, e.g. AGMA collaborative working, Manchester Multi-Area Agreement, and City Region activities. The challenge for 2009/10 is to ensure the governance framework can effectively accommodate these new arrangements.
- Increasingly, decisions made at "AGMA" level are resulting in financial implications for member Authorities; it is essential that Directors of Finance / s151 officers are involved at an early stage in such proposals to assess financial implications, opportunities and risks.
- Whilst the 2008/09 revenue outturn position reports a net overspending of £10,000 the Council maintains a strong position in terms of "financial standing" with balances in excess of £6m. This is above the Council's risk assessed minimum level of balances (£3.6m).
- The Council has taken positive steps to address the challenges in managing the Adult Care Services budget; £2m efficiency savings have been invested into the service for 2009/10. Pressure still remains as client numbers, longevity, demands and expectations increase; this situation will continue to be closely monitored throughout the forthcoming financial year.
- There are increasing concerns regarding the robustness of the RAISE system operating within Adult Care Services; this is now recorded in the 2009/10 risk registers and will be the subject of further examination in the year ahead.
- Considerable progress has been made in developing the Council's Business Continuity arrangements, however it is clear further work is required. This will be progressed through the Council's Operational Risk Management Group throughout 2009/10, overseen by Management Board.
- The Council has made significant progress in addressing the requirement for a Local Pay Agreement during 2008/09. The Council has now set its pay-line, Trades Union consultation has concluded, and implementation will take place September 2009. The exercise remains high on the Council's risk register until implementation is complete.

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
8th June 2009



Council Leader
8th June 2009

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 2009.

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

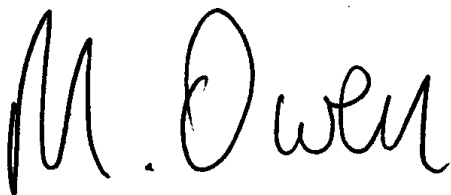
- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

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 39.



M. OWEN C.P.F.A.
Director of Finance & E-Government
25 June, 2009

Independent auditor's report to the Members of Bury Metropolitan Borough Council

To be inserted upon completion of audit

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

To be inserted upon completion of audit

ACCOUNTING POLICIES

ACCOUNTING POLICIES

GENERAL

The Statement of Accounts summarises the Council's transactions for the 2008/09 financial year and its position at year end of 31 March 2009. 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 of Practice).

They also conform with CIPFA's 2007 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.

AREA BASED GRANT

From 2008/09 Local Area Agreement Grant has been replaced by Area Based Grant (ABG) which is a non-ringfenced general grant which must be included in the Income and Expenditure Account with other general income sources such as income from the Collection Fund and Business Rates distribution.

FIXED ASSETS

The current system of capital accounting is defined by the 1993 Code of Practice (the Code), introduced as of 1st April 1994. The Code's requirements are embodied in the current SoRP, which also incorporates subsequent changes to accounting standards. Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis provided that the asset yields benefits to the Authority and the services it provides for a period of more than one year. This excludes expenditure on routine repairs and maintenance, which is charged direct to service revenue accounts.

Valuation bases are prescribed in the current SoRP.

- Market Value (MV) - non-operational assets
- Existing Use Value (EUV) - operational and non-specialised assets
- Existing Use Value – Social Housing (EUV-SH) - Housing stock
- Depreciated Replacement Cost (DRC) - some specialised operational assets

For presentation in the Balance Sheet, fixed assets have been classified into the groupings required by the Code and valued on the appropriate basis: -

- Land, operational properties and other operational assets are disclosed at value in existing use (EUV), net of depreciation. Some specialised-use operational assets are valued on a DRC basis.
- Housing stock is disclosed at value in existing use – social housing (EUV-SH), net of depreciation. HRA shops, offices and garages are disclosed at value in existing use (EUV), net of depreciation.
- Non operational assets are disclosed at open market value (MV). These assets are not depreciated.

- Infrastructure assets, Vehicles Plant and Equipment (VPE), and community assets are disclosed at historic cost. Infrastructure assets and VPE are depreciated, while community assets are not depreciated.

In applying the concept of materiality a de-minimis level of **£15,000** in respect of VPE is applicable. Expenditure on VPE assets with a value below this level would not generally be included in the Balance Sheet. The relevance and amount of the de-minimis level has been reviewed in the current year. This review will continue in future years.

The surpluses arising from the initial revaluation of fixed assets were credited to the Fixed Asset Restatement Account (FARA), as were valuation movements up to the end of 2006/07. FARA has been discontinued as from 31st March 2007, and from 2007/08 onwards revaluation movements are processed through the Revaluation Reserve (RR). There is a planned programme of revaluations under which all assets are revalued at intervals of no greater than 5 years, although material changes to asset valuations are accounted for as they occur.

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 against 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	8 – 68 Years
Other Operational Properties	Straight line	10 – 99 Years
Infrastructure Assets	Straight line	25 Years
Plant & Equipment	Straight line	5 – 10 Years
Council Dwellings	Major Repairs Allowance	

In 2008/09 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 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 assets.

INTANGIBLE ASSETS

Intangible Assets represent expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences). The expenditure is capitalised when it will bring benefits to the council for more than one financial year. Intangible assets are carried at the historical cost of purchase and other costs incurred in bringing the asset to a usable condition. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

The disclosure in the Council's balance sheet refers to the acquisition of software licences. Economic lives for the purposes of amortisation have been assessed at 5 and 10 years.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax. This was formerly described as Deferred Charges and disclosed in the Balance Sheet with Intangible Assets. There is no longer a Balance Sheet disclosure and the expenditure is amortised to revenue in the year that the expenditure is incurred, as shown in Note 23 (page 75).

CHARGES TO REVENUE

Service revenue accounts, support services and trading accounts have been charged with the following to record the real cost of holding fixed assets during the year:

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

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

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 net 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 charged corporately as detailed in the BVACOP. Interest payable on borrowing is 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.

FINANCIAL LIABILITIES

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

Gains and losses on the repurchase or early settlement of borrowings 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 that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain / loss over a ten year period. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

FINANCIAL ASSETS

Financial assets are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market

- Available-for-sale Assets – assets that have a quoted market price and / or do not have fixed or determinable payments. The Council has also included Unquoted Equity Investments at cost in this category (i.e. shares in Manchester Airport).

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale-Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for the interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted prices – cost less any impairment losses

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain / loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account along with any net gain / loss for the asset accumulated in the Reserve.

Any gains and losses that arise on de-recognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

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

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 were pooled and paid out to DCLG as per Local Authorities Finance Regulations 2004 using the proportions as first defined in the Local Government and Housing Act 1989. The balance is credited to the Capital Receipts Unapplied account and is available to finance capital expenditure, as set out in Note 36 (page 85).

REVENUE TRANSACTIONS

These have been recorded on an income and expenditure basis at historical cost in accordance with SSAP2. 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 2008/2009 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 amortised 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 two 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 two 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 charged 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.

The current system of capital accounting, introduced as of 1st April 1994, required the introduction of two reserve accounts in the Balance Sheet: -

- The Fixed Asset Restatement Reserve, which represented principally the balance of the surpluses arising from the periodic revaluation of fixed assets.
- The Capital Financing Reserve, which represented 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 (FARA) and the Capital Financing Account (CFA) 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 2007 SoRP, applicable as from 1st April 2007, brought in the Revaluation Reserve and the Capital Adjustment Account to replace the FARA and the CFA.

The new reserves do not represent resources available to support capital financing.

Their purpose is summarised as:

- The Revaluation Reserve (RR) is intended to record accumulated movements on revaluation of fixed assets. These revaluation movements were previously processed through the FARA. The RR is made up of individual credit balances resulting from upward revaluations of specific assets. It is not permissible for there to be a debit balance against any asset. A downward revaluation not covered by a previously established credit balance is processed through the Capital Adjustment Account.
- The Capital Adjustment Account (CAA) was initially constituted by transferring into it the closing balances on the former CFA and FARA. Entries to the CAA are those previously made to the CFA and FARA with the exception of revaluation movements now processed through the RR. An overall credit balance on the CAA indicates that capital finance has been set aside at a faster rate than fixed assets have been consumed. An overall debit balance indicates that fixed assets have been consumed in advance of their financing.

- 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, purpose and transactions in respect of the other reserves and provisions are set out in Notes 31 and 32 on pages 80 and 81.

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.

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 Children, Schools and Families (DCSF) and although the scheme is unfunded the DCSF 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.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means there are appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but repaid at year-end.

Details of contribution rates and amounts paid to the schemes in 2008/2009 are shown in Note 8 on page 63.

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 2008/09 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.

Under the 2008 SORP the Council has adopted the amendment to FRS17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31st March 2009 has been restated as £307.400m. Current and prior year surplus have been unaffected by this change.

COLLECTION FUND

The Authority has undertaken a review of the level of the provisions made in relation to potential unrecoverable debts due to the Collection Fund. The conclusion of the review was that there has been a past over-provision due to higher than anticipated collection rates.

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.

<u>2007/2008</u>	<u>2008/09</u>			<u>Notes</u>
<u>Net Expenditure</u> <u>£000's</u>	<u>Gross Expenditure</u> <u>£000's</u>	<u>Income</u> <u>£000's</u>	<u>Net Expenditure</u> <u>£000's</u>	
Continuing Services				
4,344 Central Services to the Public	29,512	(26,219)	3,293	
258 Court Services	235	(22)	213	
33,880 Cultural, Environmental, Regulatory & Planning Services	52,916	(22,060)	30,856	
39,920 Children's & Education Services	195,988	(160,544)	35,444	
23,111 Highways & Transport Services	28,390	(8,373)	20,017	
11,186 Local Authority Housing (HRA)	40,981	(25,728)	15,253	
5,001 Other Housing Services	46,353	(40,063)	6,290	
39,562 Adult Social Care Services	71,781	(29,945)	41,836	
4,777 Corporate & Democratic Core	4,737	(203)	4,534	
9,525 Non-Distributed Costs	6,596	(36)	6,560	
904 Other Operating Inc & Exp.	217	(21)	196	
172,468 Net Cost Of Services	477,706	(313,214)	164,492	
26 (Gain)/Loss on Disposal of Fixed Assets			(2,175)	
(1,561) (Surplus)/Deficits on Trading Operations			(4,244)	4
5,934 Interest Payable & other Similar Charges			6,200	
1,797 Contribution of Housing Capital Receipts to Government Pool			449	36
(4,519) Interest and Investment Income			(4,988)	5
(1,000) Pensions Interest Cost and Expected Return on Pensions Assets (FRS17)			4,200	8
173,145 Net Operating Expenditure			163,934	
(66,444) Demand On Collection Fund: Collection Fund Surplus Council Tax			(69,358)	
(10,932) Government Grants (not attributable to specific services)			(15,871)	
(49,602) Non-Domestic Rate distribution			(55,392)	
Net (Surplus) or Deficit For				
46,167 The Year			23,313	

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 is treated as a loss in the Income and Expenditure Account, but is met from the usable 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 **£3.7m** is retained in the Fund to meet unforeseen eventualities, and the Revenue Budget for 2009/2010 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 2008/2009 an under spending of **£6.591m** was contributed to the General Fund by schools and is carried forward to 2009/2010. See also Note 15 (page 69) for further details.

This reconciliation summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance. See also Note 14 (page 69) for further details.

2007/08	2008/09
Deficit for the year on the Income and Expenditure Account	23,313
Net additional amount to be debited (47,844) or credited to the General Fund balance for the Year (see table below)	(21,526)
(1,677) Decrease / (Increase) In General Fund Balance for the Year	1,787
(13,546) Balance on General Fund B/Fwd	(14,994)
229 In Year Contribution	(139)
(14,994) Balance on General Fund C/Fwd	(13,346)
(8,397) General Fund balance attributed to school Budgets	(6,591)
(6,597) Amount of General Fund balance generally available for new expenditure	(6,755)
(14,994)	(13,346)

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

2007/08	2008/09	Note
(551) Amortisation of intangible fixed assets (reversal)	(668)	21
(44,489) Depreciation and impairment of fixed assets (reversal)	(28,797)	
212 Government grants deferred amortisation	0	35
(4,218) Revenue Expenditure Funded from Capital Under Statute (reversal)	(3,681)	23
0 Net gain / loss on sale of fixed assets (reversal)	2,175	
Differences between amounts debited / credited to the I&E a/c and amounts payable / receivable to be recognised under statutory provisions relating to soft loans and premiums & discounts		
2 on the early repayment of debt	379	

(14,000) Net changes made for retirement benefits (FRS17 entry) (reversal)	(9,800)	8
(63,044) Amounts included in the Income and Expenditure Account required by statute to be excluded when determining the Movement on the General Fund Balance for the year	(40,392)	
4,494 Minimum revenue provision for capital financing	4,595	7
106 Capital expenditure financed from revenue	265	
(1,797) Transfer from Usable Capital Receipts equal to Housing Pooled Capital Receipts	(449)	36
10,724 Pension Fund - Employer's contributions payable to PF and retirement benefits payable direct to pensioners (FRS17 entry)	11,367	8
13,527 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	15,778	
1,489 Transfer to/(from) other earmarked reserves -	3,276	3
(139) Transfer to/(from) HRA Balances	(617)	
323 Voluntary Revenue provision for capital financing	429	7
1,673 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	3,088	
(47,844) Net additional amount required to be credited to the General Fund Balance for the year	(21,526)	

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:

2007/08 £000's	2008/09 £000's
46,167 Deficit for the year on the Income and Expenditure Account	23,313
(187,948) (Surplus) / Deficit Arising on revaluation of fixed assets	(893)
(52) (Surplus) / Deficit Arising on Revaluation of Available for Sale Financial Assets	(431)
(36,076) Actuarial (gains) / losses on pension fund assets and liabilities	56,167
(9,929) Other (Gains) / Losses for the year	(6,222)
(187,838) Total Recognised (Gains) / Losses for the Year	71,934

BALANCE SHEET AT 31ST MARCH 2009

<u>2008</u>			<u>2009</u>			
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>Note</u>
		FIXED ASSETS				
5,457	5,457	<i>Intangible Fixed Assets</i>		5,572		21
		<i>Tangible Fixed Assets</i>				
		Operational Assets:				
295,059		Council Dwellings	292,997			
347,170		Other Land & Buildings	348,490			
27,895		Infrastructure Assets	29,847			
2,130		Vehicles & Plant	3,035			
639		Community Assets	637			
		Non-Operational Assets:				
54,171		Investment Properties	49,336			
6,191		Assets under construction	21,478			
296		Surplus assets held for disposal	430			
733,551	739,008	TOTAL FIXED ASSETS	746,250	751,822		20
		LONG TERM INVESTMENTS				
10,214	10,214	Manchester Airport PLC	10,214			
		Royal Bank of Scotland	5,029			26
					15,243	
		LONG TERM DEBTORS				
9,323		Loan Accounts		9,006		27
25		Debt Managed for Probation Services		24		22
	9,348				9,030	
		CURRENT ASSETS				
1,146		Stocks & Work in Progress	1,090			
39,563		Sundry Debtors & Advance Payments	37,139			27
37,238		Short Term Investments	27,545			43
2,837		Cash in Hand	2,342			
	80,784			68,116		
		LESS : CURRENT LIABILITIES				
(1,361)		Short Term Loans Outstanding	(4,377)			28
(126)		Deposits & Clients' Funds	(192)			
(43,031)		Sundry Creditors & Advance Receipts	(46,813)			
(10,751)		Capital Grants Unapplied	(4,876)			37
		Bank Accounts				
(1,026)			(1,529)			
	(56,295)			(57,787)		
	24,489	NET CURRENT LIABILITIES			10,329	
	783,059	TOTAL ASSETS LESS CURRENT LIABILITIES			786,424	
		LESS: LONG TERM LIABILITIES				
(113,206)		External Loans Outstanding		(119,018)		28
(8,622)		Deferred Liabilities		(8,058)		29
(59,600)		Pension Liability		(114,200)		8
(14,905)		Government Grants		(29,697)		
		Deferred Account				35
(22,040)		Provisions		(22,699)		31
	(218,373)			(293,672)		
	564,686	TOTAL NET ASSETS			492,752	

<u>2008</u>			<u>2009</u>			
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>Note</u>
		FINANCED BY :				
		RESERVES AND OTHER BALANCES				
(9,199)		Earmarked Reserves		(12,614)		32
(187,948)		Revaluation Reserve		(188,120)		33
(394,804)		Capital Adjustment Account		(378,895)		34
(52)		Financial Instruments Adj Res		(431)		38
0		Capital Receipts Unapplied		40		36
(155)		Deferred Capital Receipts		(114)		30
59,600		Pension Reserve Balances		114,200		8
(14,994)		General Fund		(13,346)		14
(1,539)		Housing Revenue Account		(922)		
(4,331)		Major Repairs Reserve		(973)		32
(837)		Competitive Services / Commuted Sums		(1,114)		32
(65)		Collection Fund Balance		(73)		
<u>(10,362)</u>		Other Balances		<u>(10,390)</u>		
	<u>564,686</u>	TOTAL RESERVES AND BALANCES		<u>492,752</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>2007/ 2008</u> <u>£000's</u>		<u>2008/2009</u> <u>£000's</u>	<u>£000's</u>	<u>£000's</u>
	<u>REVENUE ACTIVITIES</u>			
190,751	Cash Outflows: Cash Paid to and on behalf of Employees	186,027		
190,186	Other Operating Cash Payments	210,196		
20,346	Housing Benefit paid out	20,578		
37,180	NNDR payments to National Pool	42,457		
9,681	Precepts paid	10,392		
448,144			469,650	
(23,128)	Cash Inflows: Rents (after Rebates)	(24,122)		
(65,828)	Council Tax Receipts	(68,118)		
(49,602)	NNDR Receipts from National Pool	(55,392)		
(37,413)	Non-Domestic Rate Receipts	(42,689)		
(8,324)	Revenue Support Grant	(7,711)		
(31,164)	DWP Grants for Benefits	(32,189)		
(144,139)	Other Government Grants	(150,664)		
(92,825)	Cash Received for Goods and Services	(87,176)		
(452,423)			(468,061)	
(4,279)	NET CASH OUTFLOW FROM REVENUE ACTIVITIES			1,589
	<u>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</u>			
5,225	Cash Outflows: Interest Paid		4,398	
(4,519)	Cash Inflows: Interest Received		(4,788)	
706				(390)
(3,573)				1,199
	<u>ACQUISITIONS AND DISPOSALS</u>			
0	Sales of investments in associates or joint ventures		0	0
0				
	<u>DIVIDENDS FROM JOINT VENTURES AND ASSOCIATES</u>			
(1,250)	Airport Dividend Received		(1,300)	(1,300)
(1,250)				
	<u>CAPITAL ACTIVITIES</u>			
22,385	Cash Outflows: Purchase of Fixed Assets	34,046		
0	Purchase of Long Term Investments	5,029		
1,797	Payments to Housing Capital Receipts Pool	449		
24,182			39,284	
(5,870)	Cash Inflows: Proceeds of Sale of Fixed Assets	(5,460)		
(18,021)	Capital Grants received	(13,351)	(19,345)	
(23,891)				
291				19,939
(4,532)				19,838
	<u>MANAGEMENT OF LIQUID RESOURCES</u>			
1,888	Net Increase / (Decrease) in Short Term Deposits			(9,693)

(2,644) NET CASH OUTFLOW BEFORE FINANCING

10,145

FINANCING

Cash Outflows: Repayments of amounts borrowed

4,000

Long Term loans repaid

25,000

4,287

Short Term loans repaid

23,800

8,287

48,800

(385)

Cash Inflows: Net Receipts from Long Term Debtors

(319)

(5,669)

New Long Term Loans

(34,000)

(4,044)

New Short Term Loans

(23,628)

(57,947)

(10,098)

(1,811)

(9,147)

(4,455) NET INCREASE IN CASH

998

M. Owen

**M. OWEN C.P.F.A.
Director of Finance & E-Government
25 June, 2009**

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 Councils.

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 Commission on 27 August, 2009. A summary outturn report will be presented to the Executive on 2 September, 2009.

Copies of these reports will be 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. There were no exceptional items or prior year adjustments made to the accounts.

3. RESERVES

Reserves and details of these and their balances, are given in Note 32 (Page 81). However for completeness, in considering the Income and Expenditure Account the following movements relating to Reserves should be noted: -

Reserves	Hsing Servs	GM Connexions	Cultural Services	Finance	Policy/CExecs	Highways /Planning	Adult Care	Comp Services	Non Service Specific	TOTAL
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Arts Reserves			21							21
Energy			26				11	(52)		(15)
Outwood								7		7
Viaduct										
School								(3)		(3)
Catering										
Major Repairs	(38)									(38)
Transformation				(78)	(480)			(23)	(1)	(582)
Adult Care							2,109			2,109
Area Board					(15)					(15)
EDS						43		1,434		1,477
Leisure			9							9
Facilities										
Comm Sums			(18)							(18)
Performance					(515)					(515)
Reward										
BCCI Reserve									(1)	(1)
GM Residuary		(295)								(295)
Body										
Pay & Grading									1,100	1,100
Airport Share				(54)					276	222
Strategic	(97)									(97)
Housing Unit										
Insurance				(9)	(26)					(35)
Policy					(31)					(31)
Development										
Provisions				(24)						(24)

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>2007/08</u>		<u>2008/09</u>		
<u>Deficit/</u>		<u>Gross</u>	<u>Income</u>	<u>Deficit/</u>
<u>(Surplus)</u>		<u>Expenditure</u>	<u>£000's</u>	<u>(Surplus)</u>
<u>£000's</u>		<u>£000's</u>		<u>£000's</u>
571	Civic Halls	1,722	(1,072)	650
(832)	Markets	1,698	(2,614)	(916)
(529)	Property & Estates	2,050	(3,706)	(1,656)
(738)	Industrial Units	1,271	(1,740)	(469)
12	Metro Design	9	0	9
101	Highway Network	4,063	(4,158)	(95)
	Services			
637	Building	0	0	0
	Maintenance			
(161)	Architectural Practice	4,662	(5,047)	(385)
128	Grounds	3,162	(3,243)	(81)
	Maintenance			
149	Cleaning of Buildings	5,050	(5,447)	(397)
0	Education – Fair	4,631	(4,631)	0
	Funding			
	Emergency &			
(4)	Security Service	1,231	(1,508)	(277)
(895)	Transport Services	3,911	(4,538)	(627)
<u>(1,561)</u>	TOTAL	<u>33,460</u>	<u>(37,704)</u>	<u>(4,244)</u>

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 2007/08 and 2008/09 figures include adjustment for FRS17. The Building Maintenance service was transferred to Six Town Housing in 2008/09. Details of individual trading accounts are contained within the detailed outturn report – copies of which will be 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>2007/08</u>		<u>2008/09</u>		<u>Total</u>
<u>Total</u>		<u>Chargeable</u>	<u>Non</u>	<u>Building</u>
<u>Building</u>		<u>£000's</u>	<u>Chargeable</u>	<u>Control</u>
<u>Service</u>			<u>£000's</u>	<u>Service</u>
<u>£000's</u>	<u>Expenditure</u>			<u>£000's</u>
488	Employee Expenses	357	164	521
1	Premises	0	0	0
23	Transport	20	6	26
70	Supplies and Services	40	39	79
194	Central & Support Service Charges	149	53	202
<u>776</u>	TOTAL EXPENDITURE	<u>566</u>	<u>262</u>	<u>828</u>
	Income			
(548)	Building Regulation Charges	(489)	0	(489)
(34)	Miscellaneous Income	(2)	(34)	(36)
<u>(582)</u>	TOTAL INCOME	<u>(491)</u>	<u>(34)</u>	<u>(525)</u>
<u>194</u>	(SURPLUS)/DEFICIT FOR YEAR	<u>75</u>	<u>228</u>	<u>303</u>

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 £73,306 has been incurred for this 3 year accounting period. The 2007/2008 comparative figure in the above table is for the whole of the Buildings Regulation function, not just the chargeable account. 2007/08 and 2008/09 figures include adjustments for FRS17.

5. INTEREST AND INVESTMENT INCOME

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

	<u>2007/08</u>	<u>2008/09</u>
	<u>£000's</u>	<u>£000's</u>
Interest on Car Loans	72	68
Mortgage Interest repayment – Housing Revenue Account	18	9
Mortgage Interest repayment – Housing	41	38

Loan Account		
Discount- Early Repayment of Debt	137	475
Investment Interest	2,989	2,996
Interest on Other Balances	12	102
Airport Dividend	1,250	1,300
TOTAL	4,519	4,988

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>2007/08</u> <u>£000's</u>	<u>2008/09</u> <u>£000's</u>
Staff advertising	494	586
Other advertising	241	262
Publicity	269	342
TOTAL	1,004	1,190

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 2008/09. The statute also allows the Authority to set a side 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 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 53). The calculation is shown in the table below:-

<u>2007/08</u> <u>£000's</u>	<u>Provision for Repayment of External Loans</u>	<u>2008/09</u> <u>£000's</u>
3,975	Minimum Revenue Provision for the General Fund	4,031
519	Other principal repayments	564
4,494	TOTAL	4,595
323	Voluntary Revenue Provision	429

8. RETIREMENT BENEFITS

Participation in Pensions Schemes

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits 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 defined benefit final salary scheme, meaning that the Authority and employees pay contributions into the Greater Manchester Pension Fund, calculated at a level intended to balance the pension 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</u> <u>2008</u> £000's	<u>Year to</u> <u>31 March</u> <u>2009</u> £000's
Income and Expenditure Account		
Net Cost of Services		
Current Service Cost	(14,000)	(9,800)
Past service costs	(1,000)	(4,700)
Curtailment and Settlements	0	0
Net operating Expenditure	(15,000)	(14,500)
Interest cost	(26,300)	(29,700)
Expected return on assets in the scheme	27,300	25,500
Net Charge to Income and Expenditure Account	(14,000)	(18,700)
Statement of Movement in the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS 17	14,000	18,700
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	10,724	11,367

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of (£47,900,000 loss) (£33,600,000 gains in 2007/08 as restated) are included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains

and losses recognised in the Statement of Total Recognised Gains and Losses is £50,200,000 of losses.

In addition to the employer's contributions to the Greater Manchester Pension Scheme, the Authority also makes payments to the Department for Childrens, Schools and Families (DCSF) 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>2007/08</u>		<u>2008/09</u>	
<u>Total Cost</u> <u>£000's</u>		<u>Total Cost</u> <u>£000's</u>	<u>Proportion of Pensionable pay</u> <u>%</u>
<u>Teachers</u>			
7,575	Contribution to DCSF etc.	7,809	13.70
1,470	Added years and pensions increases	1,494	2.62
42	Lump sum payments	0	0.00
<u>9,087</u>		<u>9,303</u>	
<u>Other employees</u>			
10,724	Contribution to Superannuation Fund	11,370	11.49
1,319	Added years and pensions increases	1,351	1.37
276	Lump sum payments	0	0.00
<u>12,319</u>		<u>12,721</u>	

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities

	<u>31 Mar</u> <u>2008</u> <u>£000</u>	<u>31 Mar</u> <u>2009</u> <u>£000</u>
1 st April		
Opening Defined Benefit Obligation	486,000	434,100
Current Service Costs	14,000	9,800
Interest Cost	26,300	29,700
Contributions by Members	4,700	5,100
Actuarial Gains / (Losses)	(80,500)	(39,700)
Past Service Costs / (Gains)	1,000	4,700
Liabilities Extinguished on Settlements	0	(5,200)
Estimated Unfunded Benefits Paid	(2,700)	(2,800)
Benefits Paid	(14,700)	(14,100)
<u>31st March</u>	<u>434,100</u>	<u>421,600</u>

Reconciliation of fair value of the scheme assets:

	<u>31 Mar</u> <u>2008</u> <u>£000</u>	<u>31 Mar</u> <u>2009</u> <u>£000</u>
1 st April		
Opening Fair Value of Employer	392,000	373,100

Assets		
Expected Return on Assets	27,300	25,500
Contributions by Members	4,700	5,100
Contributions by the Employer	10,500	11,200
Contributions in respect of Unfunded Benefits	2,700	2,800
Actuarial Gains / (Losses)	(46,700)	(87,600)
Assets Distributed on Settlements	0	(5,800)
Unfunded Benefits Paid	(2,700)	(2,800)
Benefits Paid	(14,700)	(14,100)
31st March	373,100	307,400

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actuary return on scheme assets in the year was a deficit of £87,600,000 (2007/08 this was a deficit of £46,700,000)

Scheme history

	31 Mar 2008	31 Mar 2009
	£000	£000
Present value of liabilities:	(396,600)	(386,300)
Fair Value of Employer Assets	373,100	307,400
Present Value of Unfunded Liabilities	(37,500)	(35,300)
Net Asset / (Liability)	(61,000)	(114,200)

The Council has elected to restate fair value of the scheme assets for 2008/09 and prior years as permitted under FRS17 (as revised)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £386.300m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £114.200m.

However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2010 are £11,700,000.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions payable in future schemes dependent on assumptions about mortality rates, salary levels etc. The scheme has been

assessed by Hyman Robertson an independent firm of actuaries based on the latest full valuation of the scheme as at 31st March 2007.

The principal assumptions used by the actuary are:

Long term expected rate of return on assets in the scheme:	31 Mar 2008 £000	31 Mar 2009 £000
Equity investments	7.7%	7.0%
Bonds	5.7%	5.4%
Property	5.7%	4.9%
Cash	4.8%	4.0%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	Not known *	19.6 years
- Women	Not known *	22.5 years
Longevity at 65 for future pensioners:		
- Men	Not known *	20.7 years
- Women	Not known *	23.6 years
Rate of inflation	3.6%	3.1%
Rate of increase in salaries	5.1%	4.6%
Rate of increase in pensions	Not known *	Not known *
Rate for discounting scheme liabilities	Not known *	Not known *
Take-up of option to convert annual pension into retirement lump sum	Not known *	50%

* indicates not supplied by actuary

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Long term expected rate of return on assets in the scheme:	31 Mar 2008 £000	31 Mar 2009 £000
Equity investments	62%	67%
Bonds	19%	16%
Property	9%	7%
Cash	10%	10%
	100%	100%

History of experience Gains and Losses

The actuarial gains identified as movements on the Pensions reserve in 2008/09 can be analysed into the following categories as at 31st March 2009:

	<u>2008/09</u>		<u>2007/08</u>		<u>2006/07</u>		<u>2005/06</u>		<u>2004/05</u>	
	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>	<u>£000's</u>	<u>%</u>
Differences between expected and actual return on assets	(87,600)	n/k *	(46,700)	n/k *	2,400	n/k *	46,400	n/k *	13,600	n/k *
Experience gains and losses on liabilities	(500)	n/k *	2,600	n/k *	(500)	n/k *	(22,300)	n/k *	(23,000)	n/k *

n/k * - indicates not supplied by actuary

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 on 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, engineering, caretaking & cleaning and grounds maintenance services to a range of organisations outside the local authority. These including Schools in neighbouring authorities, Colleges, Health authorities, Housing associations and various not-for profit community organisations. The income earned from these activities in 2008/2009 was £350,800 (£321,400 in 2007/08), which represents a minor part of the turnover of the authority's trading activities.

In addition the Authority provided a number of services to its Arms Length Management Organisation (ALMO) Six Town Housing, including supply of materials and transport for repairs & maintenance, architectural services, grounds maintenance and security. In total the income to the authority from Six Town Housing was £3.252m (£7.766m in 2007/08). From 1st April 2008 Six Town Housing took over responsibility for provision of repairs & maintenance to housing and public buildings which was previously undertaken by the Authority. This work accounted for income to the Council of £6.586m (including materials & transport) in 2007/08. The work undertaken by the Council in 2008/09 included stores management & supply of materials (£0.879m) and the provision of vehicles, fuel & depot facilities (£0.554m) for the repairs & maintenance service; emergency & security services (£0.295m); architectural services & major property repair works (£1.089m); and grounds maintenance (£0.343m)

Details of the turnover and expenditure for the authority's main trading activities are shown in a separate note to the accounts (note 4, p.60)

10. MANCHESTER AIRPORT PLC

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

<u>2007/08</u>	<u>2008/09</u>
<u>£000's</u>	<u>£000's</u>
Income	

(322) Rent Income	(427)
<u>(1,250) Dividend Income</u>	<u>(1,300)</u>
(1,572)	(1,727)
Expenditure	
81 Repayment of loans	81
Contribution to Airport Share	
0 Reserve	28
<u>960 Impairment charges</u>	<u>254</u>
1,041	363
<u>(531) NET INCOME</u>	<u>(1,364)</u>

In 2008/09 net income of £1.364 million was transferred to the Income and Expenditure Account

11. EMPLOYEES IN HIGHER EARNINGS BANDS

The number of employees, including teachers, whose remuneration, excluding employer pension contributions, was £50,000 or more in bands of £10,000 is as follows:-

<u>Salary Range (£)</u>	<u>2007/08</u>	<u>2008/09</u>
50,000 to 59,999	71	85
60,000 to 69,999	21	22
70,000 to 79,999	11	16
80,000 to 89,999	3	8
90,000 to 99,999	4	4
100,000 to 109,999	1	1
110,000 to 119,999	0	1
120,000 to 129,999	0	0
130,000 to 139,999	1	0
140,000 to 149,999	0	1
TOTAL	<u>112</u>	<u>138</u>

12. MEMBERS ALLOWANCES

The total of allowances paid to Members of the Authority during 2008/09 was £615,306 (£592,540 in 2007/08) plus Employers National Insurance of £47,698, giving an overall gross total of £663,004. In addition during 2008/09 Members were also paid Expenses totalling £17,131.

13. 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 2008/2009 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 £17,336 during 2008/09 (£29,518 during 2007/2008).

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 £3,855,245 during 2008/09 (£256,550 in 2007/08). This represents income to the Council of £12,203,082 (£13,506,726 in 2007/08) and expenditure of £16,058,327 (£13,249,176 in 2007/08), including the management fee paid to Six Town Housing, of £13,391,900.

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.

14. **GENERAL FUND MOVEMENTS**

The 2008/2009 deficit on the General Fund (excluding the use of balances and reserves) of **£1.787m** 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 2008	0	(8,397)	(6,597)	(14,994)
(Surplus)/Deficit for the Year	0	1,806	(19)	1,787
In Year Contribution	-	-	(139)	(139)
Balance at 31st March 2009	0	(6,591)	(6,755)	(13,346)

The directorate carry-forward requests will be considered by the Executive on 2nd September, 2009.

15. **DISCLOSURE OF DEPLOYMENT OF DEDICATED SCHOOLS GRANT**

The Council's expenditure on schools is funded primarily by grant monies, provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2008/09 are as follows:

Central Expenditure	ISB	Total	Note
--------------------------------------	------------	--------------	-------------

	£000	£000	£000	
Final DSG for 2008/09			108,677	
Brought Forward from 2007/08			771	
Carry forward to 2009/10 agreed in Advance				
Agreed budgeted distribution in 2008/09	(11,357)	(98,091)	(109,448)	(a)
Actual Central Expenditure	11,680		11,680	
Actual ISB deployed to Schools		98,091	98,091	
Local Authority contribution for 2008/09	0	0	0	
Carry forward to 2009/10	323	0	323	

Note

(a) The Schools Forum sanctioned a breach of the Central Expenditure Limit in their meeting of 4th February 2008, Item number 6.

16. DISCLOSURE OF AUDIT COSTS

In 2008/09 the Authority incurred the following fees relating to external audit and inspection:

	<u>2007/08</u> <u>(£000)</u>	<u>2008/09</u> <u>(£000)</u>
Fees payable to the Audit Commission / KPMG with regard to external audit services carried out	289	296
Fees payable to the Audit Commission in respect of statutory inspection	126	22
Fees payable to the Audit Commission / KPMG for the certification of grant claims and returns	95	58
TOTAL	510	376

17. BURY LEARNING DISABILITY PARTNERSHIP BOARD POOLED FUND MEMORANDUM ACCOUNT

In March 2003, the Council entered into a Section 31 Health Act 1999 Partnership Agreement (since superseded by Section 75 of the Health Service Act 2006) 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 2008/09 are shown below. The £2.362m deficit will be met in full by contributions from Bury Council and Bury PCT. A copy of the Pooled Fund Memorandum of Account can be obtained from the Director of Finance and E-Government, Bury Council, Town Hall, Knowsley Street, Bury.

	<u>2008/09</u>	<u>2008/09</u>
	<u>Total Fund</u>	<u>Bury MBC</u>
	<u>£000</u>	<u>£000</u>
Contributions to the pool	(16,785)	(14,443)
Expenditure from the pool	19,147	16,711
(Surplus) / Deficit	2,362	2,268

The 2007/08 deficit was £2.025m of which £2.070m was met by contributions from Bury Council.

18. 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 (since superseded by Section 75 of the Health Service Act 2006) for the pooling of its integrated community equipment 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 2008/09 are shown below. The £92,856 deficit will be met by Bury Council 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 Council, Town Hall, Knowsley Street, Bury.

	<u>2008/09</u>
	<u>Total Fund</u>
	<u>£000</u>
Contributions to the pool	(568)
Expenditure from the pool	661
(Surplus) / Deficit	93

The 2007/08 deficit was £139,000 which was met by Bury Council and Bury PCT.

19. 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 2008/09 was £7,240 through the Mayor's Charity (£800 in 2007/08).

20. TANGIBLE FIXED ASSETS

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

<u>TANGIBLE FIXED ASSETS - OPERATIONAL</u>	<u>Council Dwellings</u>	<u>Other Land & Buildings</u>	<u>Vehicles, Plant and Equipment</u>	<u>Infrastructure Assets</u>	<u>Community Assets</u>	<u>Total</u>
Certified Valuation or Cost at 1 April 2008	299,889	350,619	3,185	41,284	639	695,616
Additions	16,174	11,121	1,252	4,082	145	32,774
Disposals	(612)	(252)	0	0	0	(864)
Reclassification	0	(1,523)	0	0	0	(1,523)
Revaluations	5	543	0	0	0	548
Value of assets at 31 March 2009	315,456	360,508	4,437	45,367	784	726,551
Accumulated depreciation and impairment at 1 April 2008	(4,830)	(3,449)	(1,055)	(13,389)	0	(22,723)
Depreciation - annual charge	(4,861)	(4,223)	(347)	(1,848)	0	(11,279)
Disposals	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0
Revaluation	4,830	283	0	0	0	5,113
Impairment	(17,598)	(4,629)	0	(282)	(147)	(22,656)
At 31 March 2009 Balance Sheet Value of assets at 31 March 2009	(22,459)	(12,018)	(1,402)	(15,519)	(147)	(51,545)
Balance Sheet Value of assets at 1 April 2008	292,997	348,490	3,035	29,847	637	675,006
Balance Sheet Value of assets at 1 April 2008	295,059	347,170	2,130	27,895	639	672,893
Nature of asset holding Owned by Bury Council	292,997	348,490	3,035	29,847	637	675,006
Finance Lease						0
PFI						0
	292,997	348,490	3,035	29,847	637	675,006

<u>TANGIBLE FIXED ASSETS - NON-OPERATIONAL</u>	<u>Investment Properties</u>	<u>Assets under construction</u>	<u>Surplus Assets</u>	<u>Total</u>
Certified Valuation or Cost at 1 April 2008	54,171	6,191	296	60,658
Additions	708	14,226	0	14,935
Disposals	(307)	0	(49)	(356)
Reclassification	461	1,062	0	1,523
Revaluations	(4,793)	0	183	(4,610)
Value of assets at 31 March 2009	50,240	21,479	430	72,149
Accumulated	0	0	0	0

depreciation and impairment at 1 April 2008				
Depreciation - annual charge	0	0	0	0
Disposals	0	0	0	0
Reclassification	0	0	0	0
Revaluation	0	0	0	0
Impairment	(905)	0	0	(905)
At 31 March 2009	(905)	0	0	(905)
Balance Sheet Value of assets at 31 March 2009	49,335	21,478	430	71,244
Balance Sheet Value of assets at 1 April 2008	54,171	6,191	296	60,258
Nature of asset holding Owned by Bury Council	49,335	21,479	430	71,244
Finance Lease PFI	49,335	21,479	430	71,244

Bury MBC's share of land owned at Manchester Airport is included in its accounts under Investment Properties at a value of £6.4million, after a downward revaluation of £0.254m in 2008/09. 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 Operational and Non-Operational Investment Properties:

- Significant decline in market value of Millgate (Bury Town Centre)
- Fire damage at Goshen Sports centre

The Council has one foundation school (Peel Brow Primary School). This is not included within the 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 £3.575million.

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 & Bldgs</u>	<u>Vehicle Plant & Eqpt</u>	<u>Infra-structure Assets</u>	<u>Commu nity Assets</u>	<u>Invest ment Props</u>	<u>Assets under constru ction</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 :	-	-	3,035	29,847	637	-	21,479	-	54,998

Valued at Current Value in :									
2008/2009	292,997	79,973	-	-	-	20,010	-	307	393,287
2007/2008	-	267,964	-	-	-	25,483	-	108	293,555
2006/2007	-	429	-	-	-	3,814	-	15	4,258
2005/2006	-	124	-	-	-	28	-	-	152
2004/2005 and prior	-	-	-	-	-	-	-	-	-
Total Tangible Fixed Assets	292,997	348,490	3,035	29,847	637	49,335	21,479	430	746,250

During 2008/09 the Authority's housing stock was revalued to £297,000,000. 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.

21. INTANGIBLE FIXED ASSETS

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

	<u>Software Licences</u> <u>£000's</u>
Original cost	6,627
Amortisation to 1 st April 2008	(1,170)
Balance at 1st April 2008	5,457
Disposal of assets	(13)
Expenditure in year	796
Amortisation in year	(668)
Balance at 31st March 2009	5,572

Expenditure in the year on software licences for new systems totalled £0.796million. The total cost of the software purchase will be written off over the 5 and 10 years representing the current estimate for its useful life.

There were no changes in the amortisation method for intangible fixed assets in the year.

22. 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 2008	25
Written off to Income and Expenditure A/C	(1)
Balance at 31 March 2009	24

23. CAPITAL EXPENDITURE and FINANCING

	<u>2007/08</u>	<u>2008/09</u>
	<u>£000's</u>	<u>£000's</u>
Opening Capital Financing Requirement	132,060	141,350
<u>Capital Investment</u>		
Operational Assets	22,385	32,773
Non-operational Assets	7,822	14,934
Intangible Assets	1,111	796
Revenue Expenditure Funded from Capital under Statute	4,218	3,681
	35,536	52,184
<u>Sources of Finance</u>		
Capital Receipts	(4,073)	(4,942)
Government Grants and other Contributions	(13,003)	(20,020)
Sums set aside from Revenue including MRP	(9,170)	(13,492)
	(26,246)	(38,454)
Closing Capital Financing Requirement	141,350	155,080
<u>Explanation of movements in year</u>		
Increase in underlying need to borrow		
- supported by Government financial assistance	13,200	12,203
- unsupported by Government financial assistance	926	6,570
MRP and other repayments in the year	(4,836)	(5,043)
Increase (decrease) in Capital Financing Requirement	9,290	13,730

At 31st March 2009 the Authority had authorised capital expenditure of **£33.478 million** for 2009/2010 and had also identified a capital investment requirement of **£37.364 million** for the following years under the approved Capital Programme.

Major capital commitments as at 31st March 2009 totalled **£10.566 million** and include:

- Customer Relationship Management System - £2.958m
- Parrenthorn New School Build - £0.377m
- Woodhey High New School Build - £0.248m
- Children Centres - £1.196m
- Playbuilder Schemes - £0.149m
- Unsworth & Sunnybank Community Centre - £0.300m
- Ramsbottom Library Extension - £0.371m
- Big Lottery Fund Community Libraries - £0.676m
- Highways Network Services / Local Transport Plan - £0.500m
- Bridges - £0.250m
- Bury Transport Museum - £0.215m
- Kirklees Trail (Woolfold Gap) - £0.834m
- Parks - £0.189m
- Pimhole Renewal Area - £0.856m
- Disabled Facilities Grants - £0.217m

- Re-cycling Initiative - £0.123m
- Waste Infrastructure Capital - £0.134m
- Housing Public Sector Schemes – £0.973m

The actual level of expenditure on any of the uncommitted schemes for 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 by telephoning 0161-253-5034.

24. **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>2008</u>	<u>2009</u>
<u>Children's Services</u>		
Nursery Schools	1	1
Primary Schools (Council owned)	30	30
Primary School playing fields (VA, VC etc)	28	26
Secondary Schools (Council owned)	11	11
Secondary School playing fields (VA, VC etc)	2	2
Special Education Establishments	6	6
Youth Centres	8	6
Children & family Centres	3	1
Children's Centres	-	10
Community Centre	1	0
Admin Building	1	5
<u>Highways & Transportation</u>		
Roads (km):		
Principal	55	55
Non Principal, Classified	71	71
Urban, Unclassified	480	481
Car Parks	60	60
<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	10
<u>Arts, Libraries and Adult Learning</u>		
Art Gallery / Museum	1	1
Adult Learning Centres	2	1
Libraries	12	12
Library / Adult Learning Centre	4	3
<u>Property Services</u>		
Dwellings	3	3
Small Lettings	1140	1133
Commercial Lettings	360	360
Farms, Grazing	24	24
Poster Sites	18	18
Market Shops & Stalls	474	475
Industrial Factory Units	215	215
<u>Adult Care Services</u>		
Elderly Persons Homes	7	7
Homes for Adults with Learning Disabilities	3	2

Learning Disability Day Centres	3	4
Day Care Centres	3	3
Admin Buildings	7	8
Resource Centre	1	1
Non Operational	1	1
Other Services		
Cemeteries (area in hectares)	35	35
Public Conveniences	6	6

25. **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 2008/2009 was £1,627,604 (2007/2008 £1,420,357).

Land and Buildings – the Authority leases numerous buildings, which have been accounted for as operating leases. The rentals payable in 2008/2009 were £610,874 (2007/2008 £726,888).

The Authority is committed to making payments of £1,159,039 under operating leases in 2009/2010 for Vehicles, Plant and Equipment and £1,586,919 for land and Buildings comprising the following elements:

	Land and Buildings	Vehicles, Plant and Equipment
	£	£
Leases expiring in 2009/2010	560,815	140,874
Leases expiring between 2010/2011 and 2014/2015	1,026,103	1,018,165
Leases expiring after 2014/2015	0	0
TOTAL	<u>1,586,918</u>	<u>1,159,039</u>

In accordance with SSAP21, the estimate of the outstanding undischarged obligations in respect of operating leases is disclosed in the above 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 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 2008/2009 were £3,731,674 (2007/2008 £4,012,131).

The gross value of assets held for use in operating leases was £37,493,638. 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 2009.

26. INVESTMENTS

Investments at 31st March: consisted of:-	<u>2008</u> <u>£000's</u>	<u>2009</u> <u>£000's</u>
Manchester Airport Group PLC	10,214	10,214
Royal Bank of Scotland	0	5,029
TOTAL	<u>10,214</u>	<u>15,243</u>

Manchester Airport Group plc – Bury has a 5% shareholding in Manchester Airport Group plc which is in common with all Greater Manchester Districts, other than Manchester City Council which holds 55%. The Company's accounts for the year ended 31 March 2009 showed a profit before tax of £2.2m compared to a profit of £87.8m for the year 2007/08. The Loss after tax for the year was £103.1m compared to a profit after tax of £80.8m for the year 2007/08. Net assets amounted to £788.5m at the 31st March 2009 (the figure at 31st March 2008 was £938.2m). Further information can be obtained from the Director of Finance, Manchester Airport (Tel. 0161 489 5833).

Royal Bank of Scotland - This is a three year investment from 14 May 2008 to 16 May 2011.

27. DEBTORS & LOAN ACCOUNTS

Long term debtors:	<u>2007/08</u> <u>£000's</u>	<u>2008/09</u> <u>£000's</u>
Car loans (employees)	739	770
Airport Terminal 1	7,869	7,573
Bury Metro Arts Association Ltd	32	32
Bury Music Centre	2	2
PWLB Premiums	0	0
Housing Loans	681	629
TOTAL	9,323	9,006
Short term debtors:		
General Fund:		
General Fund:	30,591	29,108
Less provision for uncollectable sums	(577)	(586)
Advance payments	3,005	2,626
Housing Revenue Account:	2,064	1,777
Less provision for uncollectable sums	(1,997)	(1,850)
	33,086	31,075
Collection Fund:		
Council tax	5,702	6,535
Community charges	430	0
Business rates	4,081	3,022
Less provision for uncollectable sums	(3,736)	(3,493)
	6,477	6,064

TOTAL	39,563	37,139
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28. LOANS OUTSTANDING, LONG & SHORT TERM

	<u>2007/08</u>	<u>2008/09</u>		
	<u>£000's</u>	<u>£000's</u>		
Long term loans:				
PWLB loans:				
Bury	66,151	75,273		
Airport	8,754	8,420		
Market loans	39,659	39,699		
Local bonds	3	3		
TOTAL	114,567	123,395		
Analysed by maturity period:-	<u>2007/08</u>	<u>2008/09</u>		
	<u>£000's</u>	<u>£000's</u>		
Short Term Loans				
Outstanding				
Within 1 year	1,361	1,361	4,377	4,377
Long Term Loans				
Outstanding				
1/2 years	349		2,278	
2/3 years	2,278		10,585	
3/4 years	388		7,958	
4/5 years	428		8,297	
5/6 years	763		2,897	
6/10 years	5,800		2,889	
10/15 years	4,100		3,079	
15+ years	99,100	113,206	81,035	119,018
TOTAL	114,567	113,206	81,035	119,018

The PWLB debt at 31st March 2008 includes **£8.42 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.

29. DEFERRED LIABILITIES

	<u>2007/08</u>	<u>2008/09</u>
	<u>£000's</u>	<u>£000's</u>
Debt ex GMC – Tameside	8,232	7,867
Debt ex Probation Service – Trafford	25	23
Debt from Lancashire County Council	263	70
Debt ex Inner City Central Station - MCC	102	98
TOTAL	8,622	8,058

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.

30. DEFERRED CAPITAL RECEIPTS

The figures shown in the balance sheet (page 56) 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.

31. **PROVISIONS**

	<u>31st March 2008</u> <u>£000's</u>	<u>Income</u> <u>£000's</u>	<u>Expenditure</u> <u>£000's</u>	<u>31st March 2009</u> <u>£000's</u>
Liability insurance	(18,847)	(3,249)	2,123	(19,973)
Property insurance	(605)	(191)	76	(720)
Children's Services	(1,643)	(152)	956	(839)
Development Services	(277)	(9)	0	(286)
Other	(668)	(670)	457	(881)
TOTALS	<u>(22,040)</u>	<u>(4,271)</u>	<u>3,612</u>	<u>(22,699)</u>

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 £3.249m 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 £2.123m represents payment of claims, premiums, brokerage and claims handling fees, and risk management initiatives.

The Property insurance provisions are used to provide cover on specific risks which are not insured commercially. These risks are: Fire, Storm, Flood and escape of water from any tank or apparatus or pipe and Theft by forceable or violent entry / exit to a locked building. The income of £191,000 reflects charges to departments ensuring that the provision is adequate to meet all property claims. The expenditure represents payment of claims made by departments on the Property fund.

The main Children's Services provisions are for Long and Short Term Absence of Teachers (£175,000), and a General Provision (£320,000) which consists of several items including a nursery provision and provisions for early retirement and insurance liabilities related to staff. The main increase in the year related to Bury Safeguarding Children's Board provision which was increased by £56,000 in respect of special projects and grant under-spends. New provisions included £54,000 for Family Support Review.

The main Development Services provision is the Heywood Link Commuted Sum of £245,000 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 £9,000 represents accrued interest on the commuted sum for the year.

There are various other provisions which the Council makes from time to time. The main provisions relate to a land purchase works retention of £525,000 in respect of Radcliffe Riverside High School and an empty properties purchase provision of £225,000.

32. **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>2008</u> <u>£000's</u>	<u>31st March</u> <u>2009</u> <u>£000's</u>
Airport Shares	37	0
Arts Reserve	27	37
Education (Schools) Fire	131	131
Energy Conservation	226	171
Leisure	59	70
Adult Care Services	7	2,116
Transformation Reserve	4,120	3,500
Local Area Partnership Reserve	23	8
Outwood Viaduct	69	78
School Catering Reserve	58	57
GM Connexions Partnership	624	329
BCCI Reserve	188	404
EDS	796	2,278
Policy Development Reserve	31	0
Strategic Housing Unit Reserves	159	65
Performance Reward Reserves	2,644	2,129
Environmental Services	0	141
Pay and Grading Reserve	0	1,100
	9,199	12,614
Commutated Sums	837	1,114
	837	1,114
Major Repairs Reserve	4,331	973
TOTALS	14,367	14,701

The reserves are held for the following purposes:

Arts Reserve

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

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 main Adult Care Services Reserve relates to an earmarked amount for Supporting People, with some smaller reserves to cover items such as equipment replacement for Carelink and Sheltered Housing.

Transformation Reserve

The Transformation Reserve is to fund future technological and other investment within the Borough as part of its modernisation and transformation agenda.

Local Area Partnership Reserve

This reserve is to support the work of the Council's six Local Area Partnerships (LAPs) and includes carryovers of the LAPs 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.

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 Reserves

This comprises several individual reserves including those for Planning and Highways purposes, a Property reserve to offset loss of income during major town centre developments and a Levy Equalisation reserve to offset increased waste levy costs during the early years of the PFI contract for waste disposal.

Strategic Housing Unit Reserves

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

Performance Reward Reserves

These reserves are used to fund performance improvement initiatives throughout the authority.

Environmental Services Reserve

The Environmental Services Reserve is comprised of a number of individual reserves for environmental purposes.

Pay and Grading Reserve

This reserve is to fund future costs associated with the implementation of the pay and grading review.

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 103 for detail of movements during 2008/09).

Other Balances

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

33. REVALUATION RESERVE

The 2007 SORP introduced a major change to replace the Fixed Asset Restatement Account and Capital Financing Account with two new reserve accounts, Revaluation Reserve and Capital Adjustment Account.

The Revaluation Reserve was introduced with a zero balance as at 1st April 2007 and it is required to show individual net asset balances. The reserve will be credited with amounts resulted from acquisition and enhancement and upward revaluation in the year and written down with downward revaluations, depreciation and impairment losses and disposals or decommissioning of fixed assets.

The balance on this account does not represent cash and is not available to spend.

<u>2007/08</u> <u>£000's</u>	<u>2008/09</u> <u>£000's</u>
0	187,948
0	2,841
172,137	3,894
16,832	5,148
0	(4,787)
(807)	(5)
(214)	(6,919)
187,948	188,120

34. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account was created as at **1st April 2007** to replace the previous capital reserves, Fixed Asset Restatement Account (FARA) and Capital Financing Account (CFA), by combining the two accounts closing balances at 31st March 2007.

The resulting opening balance was a consolidation of revaluation gains on fixed assets up to 31st March 2007 and the balance of capital resources awaiting consumption when assets that were financed by these resources are used.

The Capital Adjustment Account also contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans.

The balance will be increased by the future capital resources set-aside and written down with amounts representing the consumption of fixed assets and the disposal or de-commissioning of assets that held revaluation gains up to **31st March 2007**.

The balance on this account does not represent cash and is not available to spend.

<u>2007/08</u>		<u>2008/09</u>
£000's		£000's
431,785	Balance at 1st April (FARA)	394,804
(1,986)	Disposal of fixed assets	(1,192)
(14,791)	Restatement of Value	(593)
(34,232)	Depreciation and Impairment Losses	(33,791)
(1)	Other	(1)
4,073	Total capital receipts applied	4,942
5,168	Revenue resources set aside :-	5,551
5,023	Grants applied to capital investment	4,675
3,983	Movement on MRR	8,181
(4,218)	Other movements on CAA:- Use of Provisions and other contributions Capital spend not creating a Bury MBC asset	(3,681)
394,804	Balance at 31st March	378,895

35. CAPITAL GRANTS DEFERRED ACCOUNT

The Capital (and 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>2007/08</u>		<u>2008/09</u>
£000's		£000's
7,980	Grants applied to capital investment in year	15,086
0	Disposal of assets	(26)
(212)	Amounts credited to the services revenue accounts in year	(268)
7,768	Movement on Capital Grants and Contributions Deferred	
7,137	Balance brought forward at 1 April 08	14,905
14,905	Balance carried forward at 31 March 09	29,697

36. CAPITAL RECEIPTS UNAPPLIED

The Local Government Act 2003 amended by the Local Authorities (Capital Finance and Accounting) Amendment Regulations 2004 has replaced the previous Local Government and Housing Act 1989 set-aside of capital receipts for debt redemption with the pooling regime. This means that the pooled amounts are paid out by Local Authorities in the year towards the Government's redistribution process. The table shows the balance available to meet capital expenditure for committed, on-going and new capital schemes in 2008/09 after pooled payments made in the year.

<u>2007/08</u>		<u>2008/09</u>
<u>£000's</u>		<u>£000's</u>
5,870	Amounts receivable in 2008/09	5,459
(1,797)	Pooling of Housing Receipts for the year	(449)
(4,073)	Amounts applied to finance new capital investment in 2008/09	(4,942)
0	Amounts applied to provisions in 2008/09	(108)
0	Total increase/(decrease) in realised capital resources in 2008/09	(40)
0	Balance brought forward at 1 April 08	0
0	Balance carried forward at 31 March 09	(40)

37. 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>2007/08</u>		<u>2008/09</u>
<u>£000's</u>		<u>£000's</u>
18,127	Amounts receivable in 2008/09	13,886
(13,003)	Amounts applied to finance new capital investment in 2008/09	(19,761)
0	Amounts applied to reserves in 2008/09	0
0	Amounts applied to provisions in 2008/09	0
0	Reclassified as applied revenue	0
5,124	Total increase/(decrease) in realised capital resources in 2008/09	(5,875)
5,627	Balance brought forward at 1 April 08	10,751
10,751	Balance carried forward at 31 March 09	4,876

38. STATUTORY FINANCIAL ADJUSTMENT ACCOUNT

This account provides a balancing mechanism between the different rates at which gains and losses (such as the premiums on the early repayment of

debt) are recognised under the SoRP and are required by statute to be met from the General Fund. The movement on the account comprises:-

	<u>2008/09</u>
	<u>£000's</u>
Balance brought forward	(52)
Discount on Loan Number 490719	(196)
Discount on Loan Number 492035	(279)
Annual write-off of discounts	118
Annual write-off of premiums	(21)
Effective Interest Rate adjustments for loan numbers B10018 and B10019	(1)
Balance carried forward	(431)

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 has 8 outstanding claims with MMI totalling £228,520 as at 31st March 2009. 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 **£1,883,332** 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.

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.

Metrolink

The Association of Greater Manchester Authorities (AGMA), the Greater Manchester Passenger Transport Authority and Executive (PTA/E) and the

Department for Transport (DFT) for Metrolink phase 3a have entered into a partnership funding approach.

Within the agreement the DFT contribution is capped at £244m in cash and that the PTA/E and the AGMA authorities are jointly and severally responsible for meeting all costs over and above that sum on the strict understanding that the scope of the scheme granted full approval is delivered. The scheme is fully funded at present and the above arrangement will only be operative if it is exceeded. Strict Monitoring arrangements will be put in place by all parties to minimise the risk of that happening.

Single Status Agreement

The National Single Status Agreement of 1997 made provision for the implementation of single status, harmonising conditions of service for all local authority workers who fall within the National Joint Council, to be followed by local pay reviewing, which would be assumed to be based on job evaluation.

This was followed in October 2003 by a report by the Local Government Pay Commission which recommended each local authority should undertake a pay audit (pay and grading review) and develop an action plan for implementing a pay structure embodying the equal value principles required by the Single Status Agreement.

The Council has undertaken a pay and grading review which will be implemented wef 1 September, 2009. This was subject to consultation with staff and staff representatives. Provision has been made in the Council's medium term financial strategy to cover the anticipated costs that will arise from the review.

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.

	<u>2007/08</u>	<u>2008/09</u>
	<u>£</u>	<u>£</u>
John Kay	36,513	37,835
British Cotton Growers	109,393	113,546
Mayor's Charity Fund	35,001	36,538
Hollins Institute Education	162,719	165,047
Rigby Trust	351,233	363,948
Others	41,124	42,475
Total	<u>735,983</u>	<u>759,389</u>
Represented by :-		
Investments	7,441	7,441
Cash	728,542	751,948
Total	<u>735,983</u>	<u>759,389</u>

41. LOCAL AREA AGREEMENT

The Council is a participant in a Local Area Agreement (LAA); a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services.

The purpose of the LAA is;

- To form an agreement between the Bury Local Strategic Partnership, Government Office North West and other external agencies
- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement
- To improve the effectiveness and efficiency of public services in Bury by pooling and aligning funding streams as appropriate

The LAA Partners are;

- Local Government bodies - Bury MBC
- Community Protection bodies - Greater Manchester Fire & Rescue Service; Greater Manchester Police
- Health bodies - Bury PCT
- Learning bodies – local colleges
- Voluntary Organisations - Bury Third Sector Development Agency

Bury MBC acts as the accountable body for the LAA. This means that we are responsible for managing the distribution of grant paid by Government Office to the partners involved, but the Council does not determine which bodies are due payments – this is determined by the Bury Local Strategic Partnership. In this context the Council acts as an agent to the Partnership.

The Council has received **£933,500** Pump Priming Grant for the duration of the LAA.

In addition the Council received **£8,554,000** in 2008/09 in the form of Area Based Grants (previously individual Local Authority specific grants)

The Council received these amounts in full to fund / procure goods and services in furtherance of the LAA and has therefore recognised these amounts in its financial statements.

42. 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 01-Apr- 08	Net Movement In Year	Balance 31-Mar- 09	Purpose of Reserve	Further Detail of Movements
	£000	£000	£000		
Revaluation					
Reserve	187,948	(1,422)	188,120	Store of gains on revaluation of fixed assets	See Note 33 to Core Financial Statement, p. 83
Capital Adjustment Account	394,804	(15,909)	378,895	Store of capital resources set aside to meet past expenditure	See Note 34 to Core Financial Statement, p. 83

Financial Instruments Adjustment Account	52	379	431	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	See Note 38 to Core Financial Statement, p. 85
Pensions Reserve	(59,600)	(54,600)	(114,200)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	See Note 8 to Core Financial Statement, p. 63
Housing Revenue Account	1,539	(617)	922	Resources available to meet future running costs for council houses	See HRA Statement and Notes, p. 102 - 105
Major Repairs Reserve	4,331	(3,358)	973	Resources available to meet capital investment in council housing	See HRA Statement and Notes, p. 102- 105
General Fund	14,994	(1,648)	13,346	Resources available to meet future running costs for non-housing services	See Statement of Movement on General Fund Balance, p. 53
Earmarked Reserves	9,199	3,415	12,614	Resources set aside for a particular purpose	See Note 32 to Core Financial Statement, p.81
Other Reserves	11,419	232	11,651		
Total	564,686	(71,934)	492,752		

43. FINANCIAL INSTRUMENTS

Introduction – Accounting Policy

With effect from 1 April 2007, local authorities have had to adopt a major change of accounting policy in order to comply with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom – the Statement of Recommended Practice 2007 (SoRP) issued by the Chartered Institute of Public Finance and Accountancy / LASAAC Joint Committee. This has been based on major changes in international accounting standards which have resulted in this country in the introduction of new U.K. accounting standards for financial instruments - FRS25, 26 and 29.

This has caused major changes in 2007/08 in the accounting treatment of financial instruments, soft loans and guarantees, which have been designed to present a higher quality of information on financial instruments, in line with the private sector. In addition, in order to help identify, quantify and inform on the exposure to and management of risk, new "fair value" disclosure requirements have been introduced. The need for this has arisen in recent years through the high profile failure of a number of financial institutions e.g. Barings, Enron, World Com etc.

For 2008/09 there have been some further, but more minor, modifications to accounting policy and these disclosure notes.

Amortised Cost

This change in accounting standards has meant that most financial instruments (whether borrowing or investment) have to be valued on an amortised costs basis using the effective interest rate (EIR) method.

Fair Value

In these disclosure notes, financial instruments are also required to be shown at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Compliance

This authority has complied with the following: -

1. it has adopted the CIPFA's Treasury Management in the Public Services: Code of Practice.
2. set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

Types of Financial Instruments

Accounting regulations require the "financial instruments" (investment, lending and borrowing of the Council) shown on the balance sheet to be further analysed into various defined categories. The investments, lending & borrowing disclosed in the balance sheet are made up of the following categories of "financial instruments".

TABLE 1 – FINANCIAL INSTRUMENT BALANCES

	Long-Term		Current	
	31st March 2008	31st March 2009	31st March 2008	31st March 2009
	£000s	£000s	£000s	£000s
Borrowings				
Financial liabilities at amortised cost	113,206	119,018	1,361	4,377
Financial liabilities at fair value through profit and loss	0	0	0	0
Other borrowing (Finance lease)	0	0	0	0
Total borrowings	113,206	119,018	1,361	4,377
Investments				
Loans and receivables	0	5,029	37,238	27,545

Available-for-sale financial assets	0	0	0	0
Fair value through profit and loss	0	0	0	0
Unquoted equity investment at cost	10,214	10,214	0	0
Total investments	10,214	15,243	37,238	27,545

NOTES.

1. LOBOs of £5m nominal value have been included in long term borrowing but have a call date in the next 12 months.
2. The unquoted equity comprises shares in Manchester Airport valued at cost.

The above long term figures are based on para B9 of SORP 2008 Guidance Notes which states that in undertaking EIR calculations the maturity period for a LOBO should usually be taken as being the contractual period to maturity unless there is a specific identifiable reason to determine otherwise.

Gains and losses on Financial Instruments

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

TABLE 2 – FINANCIAL INSTRUMENTS GAINS/LOSSES

2008/09	Financial Liabilities	Financial Assets			Total
	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	Fair value through P&L	
	£000s	£000s	£000s	£000s	£000s
Interest expense	(5,608)	0	0	0	(5,608)
Losses on derecognition	0	0	0	0	0
Impairment losses	0	0	0	0	0
Interest payable and similar charges	(5,608)	0	0	0	(5,608)
Interest income	0	2,996	0	0	2,996
Gains on derecognition	475	0	0	0	475
Interest and investment income	475	2,996	0	0	3,471
Gains on revaluation	0	0	0	0	0
Losses on revaluation	0	0	0	0	0
Amounts recycled to the I&E account after impairment	0	0	0	0	0
Surplus arising on revaluation of financial assets	0	0	0	0	0
Net gain/(loss) for the year	(5,133)	2,996	0	0	(2,137)

Fair value of assets and liabilities carried at amortised cost

The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is disclosed below.

Methods and Assumptions in valuation technique

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31st March, using bid prices where applicable.

The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing as per rate sheet 072/09.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- We have used interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- We have calculated fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.
- The fair value of trade receivables, trade payables, cash in hand, and cash overdrawn is taken to be book value/cost as shown in the balance sheet, and these items are not included in tables 3 and 4.

The fair values are calculated as follows:

TABLE 3 – FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	31st March 2008		31st March 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
LOBO Loans	38,642	42,501	38,682	42,114
Market Debt	1,017	1,639	1,017	1,622
PWLB Loans	74,905	91,140	83,693	95,131
Local Bonds	3	3	3	3
Financial liabilities	114,567	135,283	123,395	138,870

Fair value is **less/more** than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is **lower/higher** than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

TABLE 4 – FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	31st March 2008		31st March 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Call Investments	12,260	12,260	1,084	1,084
Fixed Investments	24,978	24,866	26,461	26,573
Term Deposit	0	0	5,029	5,033
Financial assets	37,238	37,126	32,574	32,690

The fair value is **higher/lower** than the carrying amount because the Councils portfolio of investments includes a number of fixed rate loans where the interest rate is receivable is **lower/higher** than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above/below current market rates increases the amount that the authority would receive if it agreed to early repayment of loans.

Nature and extent of risks arising from financial instruments

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

1. Credit Risk

Credit risk is the possibility that other parties may not pay amounts due to the Council. Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits with institutions to a maximum of **£15m** and a limit on the maximum size of one transaction in placing a deposit of **£15m**.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

TABLE 5 – CREDIT RISK (A)

	Amounts at 31 March 2009	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2009	Estimated maximum exposure to default and uncollectability
	£000s	%	%	£000s

Deposits with banks and other financial institutions	32,574	0.00%	0.00%	0
Bonds and other securities	0	0.00%	0.00%	0
Sundry Debtors	37,139	0.57%	0.57%	212
Total	69,713			212

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Debtors

Of the total Sundry Debtors of £37.139m a main risk of losses relates to system debtors of £9.083m. The Council does not generally allow credit for customers, such that **£7.309m** of the **£9.083m** balance on the debtors system is past its due date for payment. The past due amount can be analysed by age as follows:

TABLE 6 – CREDIT RISK (B)

	31 March 2009
	£000s
Less than three months	3,981
Three to four months	117
Four months to one year	964
More than one year	2,247
Total	7,309

2. Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council seeks to ensure a spread of maturity dates for borrowings so that there are no significant amounts for repayment at any one time in the future, and so that the financial impact of re-borrowing at a time of unfavourable interest rates is reduced. This involves the prudent planning of new loans and, where it is economic to do so, making early repayments.

The maturity structure of financial liabilities is as follows (at nominal value):

TABLE 7 – LIQUIDITY RISK

On 31 March 2008	Loans outstanding	On 31 March 2009
£000s		£000s
73,851	Public Works Loans Board	82,535
38,000	LOBO Loans	38,000
1,000	Market Debt	1,000
3	Local bonds	3
112,854	Total	121,538
1,316	Less than 1 year	4,348

348	Between 1 and 2 years	2,234
3,050	Between 2 and 5 years	26,567
6,384	Between 5 and 10 years	5,637
101,756	More than 10 years	82,752
112,854	Total	121,538

In the more than 10 years category there are **£5m** of LOBOs at nominal value which have a call date in the next 12 months.

3. Market Risk

Interest Rate Risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the affect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the STRGL.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 40% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

TABLE 8 – INTEREST RATE RISK

	£000s
Increase in interest payable on variable rate borrowings	137
Increase in interest receivable on variable rate investments	(316)

Increase in government grant receivable for financing costs	(134)
Impact on Income and Expenditure Account	(313)
Share of overall impact credited to the HRA	(4)
Decrease in fair value of 'available for sale' investment assets	0
Impact on STRGL	0
Decrease in fair value of fixed rate investment assets (no impact on I&E account or STRGL)	165
Decrease in fair value of fixed rate borrowing liabilities (no impact on I&E account or STRGL)	17,080

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

Price Risk

This will only apply where an investment is held as available for sale.

The Council does not generally invest in equity shares but does have unquoted shares in Manchester Airport which are shown in the accounts at cost (£10.214m).

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

44. 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>2007/08</u> <u>£000's</u>	<u>2008/09</u> <u>£000's</u>	<u>£000's</u>
46,167 DEFICIT FOR THE YEAR ON I & E ACCOUNT		23,313
Non Cash Movements in I & E Account:		
(44,488) Provision for Depreciation & Impairment of Fixed Assets	(28,797)	
4,341 Other Provisions	659	
(4,494) Minimum Revenue Provision	4,595	
(4,049) Contributions from / (to) Revenue Reserves	(1,373)	
(1,619) Other General Fund Reconciling Items	5,435	
1,460 Other non-cash Movements	2,247	
(48,849)		(17,234)
Movements in Current Assets and Liabilities:		
(123) Increase / (Decrease) in Stock	(56)	
466 Increase / (Decrease) in Revenue Debtors	(3,875)	
(2,484) (Increase) / Decrease in Revenue Creditors & Advance Receipts	(2,249)	
(2,141)		(6,180)
Items shown elsewhere in the Cash Flow Statement:		

(5,225) Interest Paid	(4,398)
4,519 Interest Received	4,788
1,250 Dividend Income	1,300
0 Investment Income	0
544	1,690
NET CASH INFLOW FROM REVENUE	
(4,279) ACTIVITIES	1,589

45. ANALYSIS OF NET DEBT

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

	<u>31st March</u>			<u>Other</u>	<u>31st March</u>
	<u>08</u>	<u>Receipts</u>	<u>Payments</u>	<u>Movements</u>	<u>09</u>
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Cash Overdrawn	(1,026)	14,572	(15,075)	0	(1,529)
Cash in Hand	2,837	(495)	0	0	2,342
Debt Due Beyond One Year	(113,206)	(34,000)	25,000	3,188	(119,018)
Debt Due Within One Year	(1,361)	0	316	(3,332)	(4,377)
Long Term Debtors	9,348	(319)	0	0	9,029
Current Asset Investments	37,238	(9,693)	0	0	27,545
TOTALS	(66,170)	(29,935)	10,241	(144)	(86,008)

46. RECONCILIATION OF NET DEBT

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

<u>2007/08</u>	<u>2008/09</u>
<u>£000's</u>	<u>£000's</u>
4,455 (Increase)/ Decrease in Cash Overdrawn in the Year to 31 st March	(998)
(1,811) (Increase)/Decrease in Debt	(9,147)
<u>1,888 Increase/(Decrease) in Investments</u>	<u>(9,693)</u>
<u>4,532 Change in Net Debt</u>	<u>(19,838)</u>
(70,702) Net Debt at 1 st April	(66,170)
<u>(66,170) Net Debt at 31st March</u>	<u>(86,008)</u>
4,532 Movement in Net Debt	(19,838)

47. ANALYSIS OF GOVERNMENT GRANTS

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

<u>2007/08</u>		<u>2008/09</u>
<u>£000's</u>		<u>£000's</u>
20,523	Housing Benefits	20,624
10,641	Council Tax Benefits	11,565
2,652	Children's Social Care	2,295
122,722	Education Grants	131,289
6,312	Adult Care Services	6,611
23	Probation	22
1,912	SRB/ERDF	9
6,802	Supporting People	6,611
3,716	Other Grants	3,827
<u>175,303</u>	TOTAL	<u>182,853</u>

48. 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>31st March</u>	<u>Movement</u>
	<u>08</u>	<u>09</u>	
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Bank Overdraft	(1,026)	(1,529)	503
Cash in Hand and at Bank	2,837	2,342	495
TOTALS	<u>1,811</u>	<u>813</u>	<u>998</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').

Since April 2005 the Council's housing stock has been managed by an Arms Length Management Organisation, Six Town Housing.

<u>2007/08</u> <u>£000's</u>		<u>2008/09</u> <u>£000's</u>	Note
	<u>Income</u>		
23,342	Dwelling Rents (gross)	24,353	1,2,9
214	Non-Dwelling Rents	231	
914	Charges for Services and Facilities	835	
153	Contributions towards expenditure	189	
<u>24,623</u>	Total Income	<u>25,608</u>	
	<u>Expenditure</u>		
6,745	Repairs and Maintenance	6,879	
8,364	Supervision and Management	8,250	
26	Rents, Rates, taxes & other charges	30	
3,561	Negative Housing Revenue Account subsidy payable	4,497	8
16,940	Depreciation and Impairment of fixed assets	21,035	3,5
18	Debt management costs	16	
156	Increased Provision for Bad & Doubtful Debts	154	10
<u>35,810</u>	Total Expenditure	<u>40,861</u>	
<u>11,187</u>	Net Cost of HRA Services as included in the whole authority Income and Expenditure Account	<u>15,253</u>	
11	HRA services share of Corporate and Democratic Core	11	
<u>11,198</u>	Net Cost of HRA Services	<u>15,264</u>	
0	(Gain) or loss on sale of HRA fixed assets	3	
1,445	Interest payable and other similar charges	1,797	
3	Amortisation of premiums and discounts	0	
(338)	Interest and investment income	(215)	
<u>12,308</u>	(Surplus) or Deficit for the year on HRA Services	<u>16,849</u>	

Statement of Movement on the HRA Balance

<u>2007/08</u> <u>£000's</u>		<u>2008/09</u> <u>£000's</u>
12,308	(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	16,849
(12,169)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(16,232)
139	(Increase) or decrease in the Housing Revenue Account Balance	617
(1,678)	Housing Revenue Account surplus brought forward	(1,539)
(1,539)	Housing Revenue Account surplus carried forward	(922)

Note to the Statement of Movement on the HRA Balance

<u>2007/08</u> <u>£000's</u>		<u>2008/09</u> <u>£000's</u>	<u>2008/09</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 year determined in accordance with statute	(51)		
(12,109)	Reversal of impairment losses	(16,174)		
0	Gain or loss on sale of HRA fixed assets	(3)		
(12,159)			(16,228)	
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year				
28	Capital expenditure funded by the HRA	34		4
(38)	Transfer to/(from) Major Repairs	(38)		3
(10)			(4)	
(12,169)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year		(16,232)	

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>2007/08</u>		<u>2008/09</u>
	Flats and Maisonettes	
	1 Bedroom	
2,313		2,311
831	2 Bedrooms	831
60	3 Bedrooms	60
242	Bedsitters	242
	Houses & Bungalows	
809	1 Bedroom	809
1,860	2 Bedrooms	1,857
2,226	3 Bedrooms or more	2,222
8,341	TOTAL	8,332

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

The total capital receipts realised from the disposal of Council houses during the year was **£0.672million**. This figure represents a decrease in the region of 73.5% compared to the 2007/2008 figure of £2.543million. The figure represents the total selling price of Council houses (net of Right to Buy discount) and other repaid discounts relating to previous sales.

The value of the housing stock was:-

<u>2007/08</u> <u>£000's</u>		<u>2008/09</u> <u>£000's</u>
	Total Balance Sheet value as at 1 st April 2008	
287,403	Dwellings	293,629
1,406	Shops, Offices and Garage Colonies	1,430
288,809	Total Operational Assets	295,059
12,095	Additions	16,174
24	Certificated Revaluation – Shops and Offices	2
640	Housing Stock Revaluations	(12,765)
(4,830)	Depreciation	(4,861)
(1,679)	Sale of Council Houses	(612)
0	Sale of other Council Housing assets	0
295,059	Balance Sheet Value as at 31st March 2009	292,997
293,629	Dwellings	291,565
1,430	Shops, Offices and Garage Colonies	1,432
295,059	Total Operational Assets	292,997

2. VACANT POSSESSION

- (i) The Vacant Possession Value (VPV) of dwellings within the Council's HRA as at 1st April 2008 was £618.670 million representing a decrease of 1.03% over the 1st April 2007 figure of £625.130 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>2007/08</u>	<u>£000's</u> <u>2008/09</u>
3,522 Balance as at 1 st April 2008	4,331
4,830 Transferred to MRR during the year	4,861
0 Credit in respect of General Fund depreciation	0
(38) Transferred from MRR to HRA during the year	(38)
(3,983) Debits in respect of capital expenditure within HRA	(8,181)
<hr/> 4,331 Balance as at 31 st March 2009	<hr/> 973

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>2007/08</u>	<u>£000's</u> <u>2008/09</u>
12,095 Total Capital expenditure within the HRA	16,174
Financed By:	
7,920 ALMO borrowing	7,930
150 Usable Capital Receipts	26
42 Revenue Contributions	37
3,983 Major Repairs Reserve	8,181
<hr/> 12,095 Total	<hr/> 16,174

5. DEPRECIATION

Authorities are required to charge depreciation on all HRA properties calculated in accordance with proper practices, including non-dwelling properties. In 2008/09, the total charge for depreciation for council houses was £4,823,500 (£4,791,984 in 2007/08) and for other property was £37,975 (£38,177 in 2007/08). 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 48-year useful life, and is considered to be a reasonable approximation.

6. IMPAIRMENT CHARGES

Impairment charges of £16.174million for the financial year have been made in respect of capital expenditure not adding value to the housing stock and other property within the HRA. There was also a charge of £0.003million as a result of downward re-valuation of other HRA property in the year.

7. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

No revenue expenditure funded from capital under statute is 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 2008/2009

<u>£000's</u> <u>2007/08</u>		<u>£000's</u>	<u>£000's</u> <u>2008/09</u>
3,984	Management Allowance	4,074	
7,871	Maintenance Allowance	7,816	
4,792	Major Repairs Allowance	4,824	
16,647			16,714
2,364	Charges for Capital	2,679	
0	Admissible Allowance	0	
0	Rent Rebates	0	
0	Other items of reckonable expenditure	0	
215	Rental Constraint Allowance	0	
2,579			2,679
(22,777)	Guideline Rent Income	(23,896)	
(13)	Interest on Receipts	(11)	
(22,790)			(23,907)
(3,564)	Subsidy Receivable / (Payable) to DCLG		(4,514)
3	Prior Year Adjustments		17
(3,561)	Total Subsidy Receivable / (Payable) to DCLG		(4,497)

9. RENT ARREARS

The rent arrears as at 1 April, 2008 totalled £1,633,755 and at 31 March, 2009 they totalled £1,322,933. 49.52% of the arrears at 31 March 2009 related to current tenants (50.3% at 31st March 2008) and 50.48% related to former tenants (49.7% at 31st March 2008). The figures stated represent gross arrears and are not shown net of advances as in previous years.

10. BAD DEBT PROVISION

<u>£000's</u> <u>2007/08</u>	<u>£000's</u> <u>2008/09</u>	<u>£000's</u> <u>2008/09</u>
1,304 Opening Bad Debt Provision		1,248
156 Charged to HRA 2008/2009	154	
(226) Written off	(428)	
14 Reinstated previously written off amount	52	
(56) Net Decrease 2008/09		(222)
1,248 Closing Bad Debt Provision		1,026

COLLECTION FUND

THE COLLECTION FUND

The account is kept separately and shows the income collected from Council Tax, 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>2007/08</u>		<u>2008/09</u>	<u>Note</u>
<u>£000's</u>		<u>£000's</u>	
	<u>INCOME</u>		
(65,828)	Income from Council Tax Payers	(68,102)	1
0	Community Charge Payers	0	
	Transfers from General Fund		
(10,727)	Council Tax Benefit	(11,560)	
0	Other Income	(6)	
<u>(37,413)</u>	Income from NNDR payers	<u>(42,689)</u>	2
<u>(113,968)</u>	TOTAL INCOME	<u>(122,357)</u>	
	<u>EXPENDITURE</u>		
75,982	Precepts on the Collection Fund	79,608	3
	NNDR		
37,180	Payments to National Pool	42,457	
233	Cost of Collection	232	
4	Interest Payable net of refunds	(1)	
	Bad and Doubtful Debts		
529	Increased/(Reduced) Provision	(97)	
	Transfer of Previous Year's Estimated Surplus		
143	To General Fund	142	
21	To Major Preceptors	21	
<u>114,092</u>	TOTAL EXPENDITURE	<u>122,362</u>	
124	FUND DEFICIT/ (SURPLUS) FOR THE YEAR	5	
(22)	PRIOR YEAR ADJUSTMENT	(13)	
<u>(167)</u>	BALANCE BROUGHT FORWARD	<u>(65)</u>	
<u>(65)</u>	BALANCE CARRIED FORWARD	<u>(73)</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	24,538	6/9	16,358
B	£40,000 to £52,000	15,519	7/9	12,070
C	£52,000 to £68,000	15,184	8/9	13,497
D	£68,000 to £88,000	8,086	1	8,086
E	£88,000 to £120,000	4,923	11/9	6,017
F	£120,000 to £160,000	1,683	13/9	2,431
G	£160,000 to £320,000	1,206	15/9	2,010
H	More than £320,000	138	18/9	276
		71,277		60,745
	Less allowance for losses on collection			(1,217)
				59,528
	COUNCIL TAX BASE 2008/2009			

- i) The actual number of properties was 80,407 but after adjusting for single person discounts, empty properties etc, the notional number of dwellings is 71,277.
- ii) The Band D Council Tax levied for the year was **£1,337.33** (£1,288.71 in 2007/2008).

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 2008/2009 was **46.2p** in the pound (44.4p in 2007/2008) and at 31st March 2009 the estimated non-domestic rateable value of the Borough was **£104,152 million** (£103,266 million at 31st March 2008). In addition in 2008/09 the Small Business Rate was set at **45.8p** in the pound (44.1p for 2007/08). 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>2007/08</u> <u>£000's</u>	<u>2008/09</u> <u>£000's</u>
Bury MBC	66,301	69,216
Greater Manchester Police Authority	6,851	7,435
Greater Manchester Fire & Rescue Authority	2,830	2,957
TOTAL	75,982	79,608

GROUP ACCOUNTS

To follow