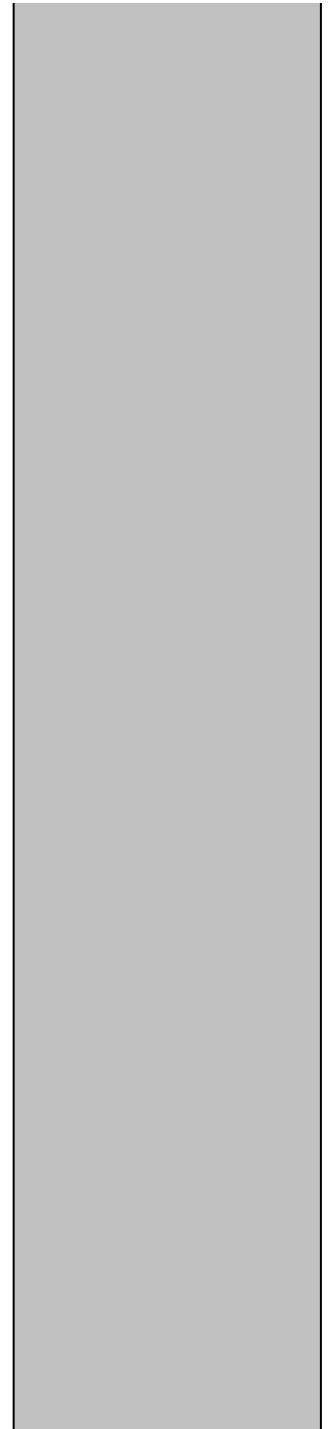


**STATEMENT
OF
ACCOUNTS
2010/2011**



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Introduction by Councillor John Smith, Deputy Leader of the Council and Executive Member for Finance

I am delighted to welcome you to the Council's Statement of Accounts for 2010/11.

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. The Accounts are the means by which the Council provides details of its stewardship of public resources and financial performance to its stakeholders.

For the first time the Accounts reflect the use of International Financial Reporting Standards (IFRS). Along with the rest of local government Bury Council has been hard at work to prepare for the implementation of IFRS. Those areas that are particularly affected include changes to the way that we account for fixed assets, leases and employee benefits along with various changes to the financial statements themselves and the supporting information that we have to disclose. These changes are highlighted within the Accounts.

We have consistently been amongst the top level of local authorities who are low cost but perform and improve strongly. We continue to receive lower levels of funding than other authorities yet achieve some of the best results in the country across a range of services including education, parks and open spaces, planning and supporting older people in residential and nursing care. Our Priority Investment Reserve in 2010/11 used money saved through being more efficient to support investment in areas identified as important by our communities.

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 £460million this is a very commendable performance. More than £34million has been invested on improving the assets that are so vital to the quality of the services that we aim to provide.

However, as we look to the future there are ever increasing demands on the Council's services and this will clearly put our budget under pressure in the years to come. As with most organisations, the Council hasn't been immune to the effects of the economic slowdown which has resulted in reduced income, reductions in investment returns and increased energy costs. The Council has updated its financial forecasts to reflect the impact of the Government's Spending Review which reported on 20 October 2010 together with the resulting grant reductions that will hit us during 2011/12 and beyond as a result of the 2011/12 Local Government Finance Settlement.

The Council intends to respond to these pressures by reshaping services so it continues to play a central role as a "community champion" within a rapidly changing financial and community-centered environment.

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 through these difficult financial times and that financial prudence will be the watchword of the Council.

This Statement of Accounts is one of a number of publications giving information on the Council's finance and other activities. The Bury Plan 2010-2013 sets a clear direction for the Council and outlines the strong progress and contribution the Council will make

towards Team Bury's shared vision of making Bury 'a great place to live, work, study and visit.' It also provides a clear statement about what we are trying to achieve; how well we did in the preceding year; and how we intend to improve in the coming year. It can be found on the Council's website as follows:

<http://www.bury.gov.uk/CHttpHandler.ashx?id=5806&p=0>

We also produce a wide range of other publications, available free from the Council offices at The Town Hall and available on our website at www.bury.gov.uk.

Members of the public are welcome to attend Council and other Committee meetings and to ask questions. Information about meetings, agendas and copies of Council minutes are available from Council offices, on the website or by telephoning 0161 253 5118.

We will promote equality and equal opportunity access and participation for everyone, whatever their personal circumstances. We will allocate and spend money on services as fairly as possible according to the needs of the community. We will set out clear standards for services so that everyone knows what to expect. If you need any help with reading or understanding this document, take it to the Council Offices at the Town Hall or telephone 0161 253 5034 / 5225. We will try to provide a reading service, translation or any other format you may need.

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 2010/11 the budget for the year was overseen by Councillor Iain Gartside, the Cabinet Member for Resource, Human Resource and Performance at the time, and I am extremely grateful for the work that he put in to 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.



A handwritten signature in blue ink that reads "John Smith". The signature is written in a cursive style.

Councillor John Smith
Deputy Leader of the Council and Executive Member for Finance

APPROVAL OF THE STATEMENT OF ACCOUNTS

In accordance with Regulation 8 of the Accounts and Audit (England) Regulations 2011 I confirm that these accounts present **a true and fair view** of both the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2011.

Signed on behalf of Bury Metropolitan Borough Council:



S Kenyon CPFA
Assistant Director of Resources (Finance & Efficiency)
25 August, 2011

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In accordance with Regulation 8 of the Accounts and Audit (England) Regulations 2011 I confirm that these accounts were approved by the Audit Committee at the meeting held on Thursday, 25 August, 2011.

Signed on behalf of Bury Metropolitan Borough Council:

A Audin
Chair of Audit Committee
25 August, 2011

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 pension 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 identifiable non-monetary 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.

CURRENT ASSETS

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

PROPERTY, PLANT AND EQUIPMENT

Tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services and 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 by the Authority.

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 services for the use of **fixed assets**.

The charge in 2010/11 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.

CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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).

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.

EMPLOYEE BENEFITS

All forms of consideration given by an entity in exchange for service rendered by employees.

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).

FAIR VALUE

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms-length transaction.

GROUP ACCOUNTS

The preparation of a group comprehensive income and expenditure statement 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 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 Movement in Reserves Statement.

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 transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. 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 payable within one year of the **Balance Sheet** date.

LOBO (“Lender Option, Borrower Option”)

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

NON DISTRIBUTED COSTS

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

OUTTURN

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

PRECEPTS

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

PROJECTED UNIT METHOD

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

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

PROVISIONS

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

RELATED PARTIES

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

- (i) One party has direct or indirect control over another party, or

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

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

RELATED PARTY TRANSACTIONS

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

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

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

RESERVES

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

RETIREMENT BENEFITS

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

REVENUE

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

REVENUE SUPPORT GRANT

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

SHORT TERM EMPLOYEE BENEFITS

Employee benefits (other than termination benefits) that fall due wholly within 12 months after the end of the period in which the employees render the related service.

VALUE ADDED TAX

VAT is an indirect tax levied on most business transactions and on many goods and some services. Input tax is VAT charged on purchases; output tax is VAT charged in sales

EXPLANATORY FOREWORD

EXPLANATORY FOREWORD

These Accounts are the first to be based on International Financial Reporting Standards (IFRS's).

IFRS's are accounting standards issued by the International Accounting Standards Board (IASB) and are embodied within CIPFA's Code of Practice on Local Authority Accounting (the Code). Previous years' accounts have been based on United Kingdom Generally Accepted Accounting Practices (UK GAAP) which includes accounting standards, Interpretations (equivalent to Urgent Issues Task Force – UITF abstracts), the IASB's Framework and established accounting practice i.e. the set of accounting principles and practices that our accounts were previously based on. These were embodied within CIPFA's Statement of Recommended Practice (SoRP).

The requirement for local government to adopt IFRS from 2010/11 was made by the then-Government in 2007. Other government bodies including central government, NHS Trusts, Primary Care Trusts and NHS Foundation Trusts were required to adopt IFRS from 2009/2010.

The Government at the time stated that it has long been recognised in the corporate sector that there is demand for a single international set of accounting standards. As both business and the financial markets become more global, one financial language aids the preparation, comparability and analysis of financial information for corporate entities. The reasons for introducing IFRS in the public sector were set in the context of the government's need for 'high value performance data in combination with appropriate financial data'. IFRS as adapted for use in the public sector will be used to provide 'benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice'.

The accounts have also been prepared in accordance with and comply with the Accounts and Audit Regulations (England) 2011 which have replaced the 2003 Regulations, the Local Government and Housing Act 1989 and the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 based on International Financial Reporting Standards issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code of Practice introduces different criteria for recognition and basis of measurement for some elements of the financial statements. These will be highlighted in the relevant sections of this document.

Accounting policy changes arising from the adoption of the IFRS-based Code of Practice have been applied retrospectively and are provided in more detail in pages 34 to 50.

The Accounts comprise several core financial statements and related notes, which are intended to present the true and fair financial position, financial performance and cash flows of Bury Council. This also includes Segment Reporting, which requires a subjective analysis to be included in the notes.

Some of the main financial statements have changed under IFRS, as follows:

SORP	The IFRS Code
Income and Expenditure Account and Statement of Recognised Gains and Losses	Comprehensive Income and Expenditure Statement
Statement of Movement on General Fund / HRA Balance	Movement in Reserves Statement

All the statements and notes give details of the Authority's income and expenditure for the financial year, which ran from **1st April 2010** to **31st March 2011** along with

details of the assets and liabilities of the Council at **31st March 2011**. Wherever it is relevant the corresponding figures for the last financial year, 2009/2010, are also shown for comparison. The Code also requires the authority to present a restated opening balance sheet (under IFRS) as at 1 April, 2009 as well as a restated balance sheet as at 31 March, 2010. Further details can be found on page 30.

Briefly, the purpose of the individual statements is as follows:-

CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT:

This statement shows the movement in the year on the different reserves held by the authority analysed into 'usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT:

The Comprehensive Income and Expenditure Statement shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. The statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. 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 Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement 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.

THE BALANCE SHEET:

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets minus liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

THE CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority. 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 Comprehensive Income and Expenditure Statement, Reconciliation of the Single Entity (Surplus) or Deficit on Provision of Services to the Group Comprehensive Income and Expenditure Statement (surplus or deficit), 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 underspent its budget, as revised in July 2010, by **£0.884m**. 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 2011 the borough's schools had accumulated a total underspending against their budget of **£4.504m**. 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 2011/2012 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 2011/2012 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 was considered by the Executive on 13 July, 2011.

Detailed outturn and variation reports will be submitted to the Scrutiny Committee (Internal) on 30 August, 2011 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 2010/2011 was: -

	<u>Revised Estimate £000's</u>	<u>Actual £000's</u>	<u>Difference £000's</u>
Net cost of Bury services	140,460	139,576	(884)
Precepts :- Police	8,644	8,644	0
Fire	3,153	3,153	0
	152,257	151,373	(884)
TOTAL NET EXPENDITURE			
Financed from:-			
Revenue Support Grant	(8,386)	(8,386)	0
Business Rates Pool	(57,753)	(57,753)	0
Council Tax	(87,240)	(87,240)	0
(SURPLUS) / DEFICIT	(1,122)	(2,006)	(884)

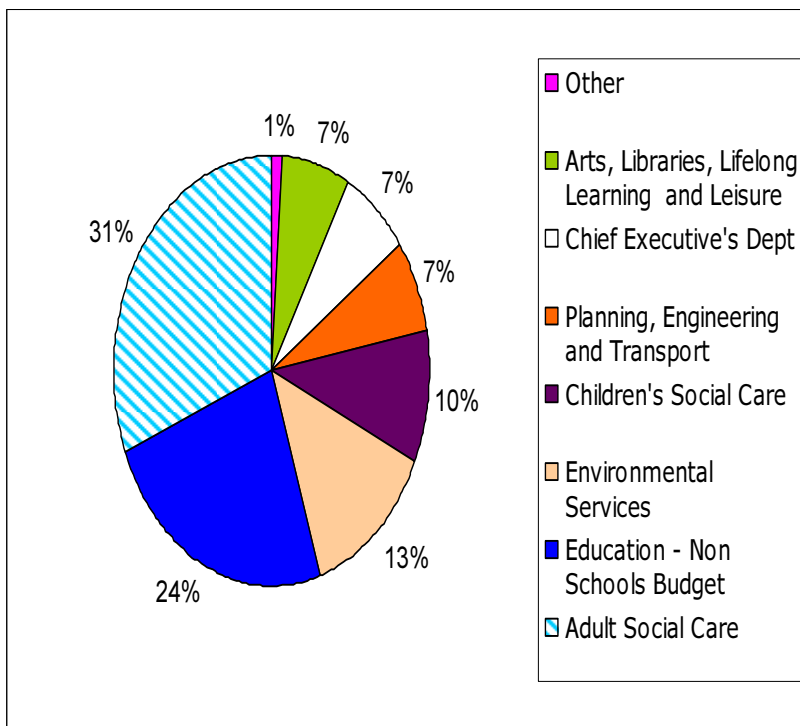
The **£1.122 million** surplus shown at Revised Estimate relates to contributions to general fund balances.

The Corporate Revenue Outturn Report which was considered by the Executive on 13 July, 2011 details the overall performance of the Council in 2010/2011.

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

Service Area	£000's
Environment and Development Services	(537)
Adult Care Services	166
Cost of Borrowing	(646)
Housing	(315)
Education – Non Schools Budget	(691)
Children's Social Care	1,455
Chief Executive's Dept.	(425)
Other Variances	109
Total	(884)

The Council spent £139.576m (excluding precepts) in 2010/2011 as follows:



	£M
Education – Non Budget Schools	46.046
Adult Social Care	58.959
Children's Social Care	18.908
Arts, Libraries, Adult Learning and Leisure	14.724
Environmental Services	25.417
Planning, Engineering & Transport	14.479
Chief Executive's Dept	14.408
Other	2.181
Change in Retirements Benefits Calculation From RPI to CPI	(55.546)
Total	139.576

CAPITAL OUTTURN

Total Capital Expenditure achieved in the year was **£34.483** million.

In addition to the figures shown for the year, Bury's Voluntary Aided schools received **£1.905m** from the Department for Education for the modernisation of the voluntary sector aided schools.

For information on how Capital Expenditure was financed, refer to Note 23 (page 77).

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

SERVICE	PROJECT	£000's	£000's
Chief Executive's	Corporate ICT Projects	593	
	Safer, Stronger Communities	44	
	Townside Relocation	555	

	Cost of Property Sales and Purchases	10	
	Invest to Save Project – Humphrey House	916	2,118
Adult Care Services	Older People Services	69	
	Learning Disabilities	19	
	Improving Information Management	20	
	Equal Pay / Back Pay Capitalisation	2,075	2,183
Children's Services	Support Services	194	
	Devolved Formula Capital	1,962	
	Modernisation / New School	2,324	
	Access Initiatives	181	
	Targeted Capital Funding	2,441	
	Schools – New Build	138	
	Schools – Specialist Status	85	
	Children Centres	1,593	
	Youth Capital	49	
	Harnessing Technology	608	
	Primary Capital Programme	2,453	
	Playbuilder	119	
	Short Break Allocation	256	
	Equal Pay / Back Pay Capitalisation	302	12,705
Arts, Libraries & Adult Learning	Ramsbottom Library Extension	221	
	Library Development Programme	97	
	Big Lottery Fund – Community Libraries	408	726
Planning Services	Development Group Schemes	916	
	East Lancashire Railway Trust	39	
	Environmental Projects	274	1,229
Leisure Services	Parks and Countryside	109	
	Play Areas	139	
	Leisure Facilities	138	386
Highways and Transportation	Highways Network Services	1,646	
	Bridge Repairs and Maintenance	761	
	Cycling Strategy and Walking Strategy	121	
	Other Transportation & Parking Schemes	389	
	Traffic Management & Road Safety Schemes	190	3,107
Environmental Works	Contaminated Land	56	
	Air Quality	18	
	Energy Efficiency Schemes	226	300
Other Services	Revenue Capitalisation	155	
	Refurbishment Backlog	592	

	Equal Pay / Back Pay Capitalisation	1,464	2,211
Housing Private Sector	Empty Properties	40	
	Financial Assistance	771	
	Pimhole – Property Improvements	1,316	
	Pimhole - Clearance	19	
	Disabled Facilities Grants	876	
	Disabled Facilities Adaptations	333	
	Capital Salaries - Private Sector	198	3,553
Housing Public Sector	Asbestos Removal	2	
	Environment/Security Work	314	
	Energy Efficiency	534	
	Modernisations	2,750	
	Roofing Schemes	1,697	
	Miscellaneous Housing Schemes	668	5,965
TOTAL		34,483	34,483

The Capital Programme is funded from a variety of 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	33,481	
Intangible assets	665	
Vehicle, Plant and Equipment	337	
Total		34,483
<u>Financed by:</u>	<u>£000's</u>	<u>£000's</u>
Loan	12,090	
Capital Receipts	44	
Grants & Contributions	16,222	
Provisions	109	
General Fund Revenue and Reserves	52	
Housing Revenue Account	188	
Major Repair Allowance	5,778	
Total		34,483

BORROWING OUTTURN

During 2010/2011 £9.1m of new PWLB loans were taken out to fund capital investment. In line with the treasury management strategy, temporary loans were used where appropriate.

An analysis of movements on loans at nominal values during the year is shown below:

	Balance at	Loans	Loans	Balance
	2009/10	Raised	Repaid	2010/11
	£000s	£000s	£000s	£000s
PWLB	84,009	9,100	0	93,109
PWLB (Airport)	7,878	0	(2,234)	5,644
Market	39,000	0	(5,000)	34,000
Temporary Loans	0	26,000	(21,000)	5,000
Other Loans	3	0	0	3
Total Debt	<u>130,890</u>	<u>35,100</u>	<u>(28,234)</u>	<u>137,756</u>

HOUSING

The Housing Revenue Account (HRA) on page 104 produced a deficit of **£0.093 million** during the year. This was against an estimated surplus for the year of £0.016 million.

COLLECTION FUND

The information shown on page 111 demonstrates that at 31st March 2011 there was a deficit balance on the Collection Fund of **£0.394 million**.

INSPECTION OF THE ACCOUNTS

Members of the public have the right to inspect the Authority's Accounts, including supporting documents, prior to external audit and then to question the auditor or make objections to the Accounts. This year the Accounts were deposited for inspection at the Town Hall for 20 working days as required by the Accounts and Audit Regulations (England) 2011 commencing 30 June 2011 and the External Auditor was available for questioning on or after 4 July 2011. This facility was advertised in the local press.



S KENYON, C.P.F.A.
Assistant Director of Resources (Finance & Efficiency)
25 August 2011

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**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 Assistant Director of Resources (Finance and Efficiency).
- 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 Responsibilities of the Assistant Director of Resources (Finance and Efficiency)

The Assistant Director of Resources (Finance and Efficiency) 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 **a true and fair view** of both the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2011.

In preparing the Statement of Accounts the Assistant Director of Resources (Finance and Efficiency) 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 on Local Authority Accounting.

The Assistant Director of Resources (Finance and Efficiency) 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 25.



S. KENYON C.P.F.A.
Assistant Director of Resources (Finance & Efficiency)
25 August, 2011

Independent auditors' report to the Members of Bury Metropolitan Borough Council - Opinion on the accounting statements

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

To be inserted upon satisfactory completion of the audit.

CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

	<u>General Fund Balance</u>	<u>Earmarked GF Reserves</u>	<u>Housing Revenue Account</u>	<u>Collection Fund Balance</u>	<u>Capital Receipts Unapplied</u>	<u>Major Repairs Reserve</u>	<u>Capital Grants Unapplied</u>	<u>Total Usable Reserves</u>	<u>Unusable Reserves</u>	<u>Total Authority Reserves</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>	<u>£000's</u>
Balance at 1 st April 2009	13,346	7,734	922	78	(40)	973	983	23,996	479,509	503,505
<u>Movement in reserves during 2009/10</u>										
Surplus / (deficit) on the provision of services	(16,502)	0	0	0	0	0	0	(16,502)	0	(16,502)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(179,630)	(179,630)
Total Comprehensive Income and Expenditure	(16,502)	0	0	0	0	0	0	(16,502)	(179,630)	(196,132)
Adjustments between accounting basis & funding basis under regulations	17,576	0	(141)	0	347	(82)	(70)	17,630	(17,630)	0
Net increase / (decrease) before transfers to earmarked reserves	1,074	0	(141)	0	347	(82)	(70)	1,128	(197,260)	(196,132)
Transfers to / from ear-marked reserves	(4,495)	20,799	0	(288)	0	0	0	16,016	(16,016)	0
Increase / (decrease) movement in 2009/10	(3,421)	20,799	(141)	(288)	347	(82)	(70)	17,144	(213,276)	(196,132)
Balance at 31 March 2010 carried forward	9,925	28,533	781	(210)	307	891	913	41,140	266,233	307,373

	<u>General Fund Balance</u>	<u>Earmarked GF Reserves</u>	<u>Housing Revenue Account</u>	<u>Collection Fund Balance</u>	<u>Capital Receipts Unapplied</u>	<u>Major Repairs Reserve</u>	<u>Capital Grants Unapplied</u>	<u>Total Usable Reserves</u>	<u>Unusable Reserves</u>	<u>Total Authority Reserves</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>	<u>£000's</u>
Balance at 1 st April 2010	9,925	28,533	781	(210)	307	891	913	41,140	266,233	307,373
<u>Movement in reserves during 2010/11</u>										
Surplus / (deficit) on the provision of services	3,817	0	0	0	0	0	0	3,817	0	3,817
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	113,890	113,890
Total Comprehensive Income and Expenditure	3,817	0	0	0	0	0	0	3,817	113,890	117,707
Adjustments between accounting basis & funding basis under regulations	7,593	0	(93)	0	779	(871)	(291)	7,117	(7,117)	0
Net increase / (decrease) before transfers to earmarked reserves	11,410	0	(93)	0	779	(871)	(291)	10,934	106,773	117,707
Transfers to / from ear-marked reserves	(8,526)	9,172	0	(183)	0	0	0	463	(463)	0
Increase / (decrease) movement in 2010/11	2,884	9,172	(93)	(183)	779	(871)	(291)	11,397	106,310	117,707
Balance at 31 March 2011 carried forward	12,809	37,705	688	(393)	1,086	20	622	52,537	372,543	425,080

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

<u>2009/2010</u>			<u>2010/2011</u>			
<u>Gross Expenditure</u>	<u>Restated Gross Income</u>	<u>Net Expenditure</u>	<u>Gross Expenditure</u>	<u>Gross Income</u>	<u>Net Expenditure</u>	<u>Note</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>	
Continuing Services						
32,851	(28,810)	4,041	Central Services to the Public including Court Services	29,869	(29,892)	(23)
51,804	(21,001)	30,803	Cultural, Environmental, Regulatory & Planning Services	57,566	(19,647)	37,919
206,752	(166,265)	40,487	Children's & Education Services	222,809	(177,465)	45,344
28,889	(7,925)	20,964	Highways & Transport Services	25,734	(8,546)	17,188
35,889	(26,436)	9,453	Local Authority Housing (HRA)	80,724	(26,938)	53,786
51,857	(47,254)	4,603	Other Housing Services	58,861	(52,785)	6,076
76,612	(30,971)	45,641	Adult Social Care Services	77,578	(24,326)	53,252
5,037	(212)	4,825	Corporate & Democratic Core	5,508	(195)	5,313
6,097	(36)	6,061	Non-Distributed Costs	4,869	(62,136)	(57,267) 2
680	(332)	348	Other Operating Inc & Exp.	1,403	(423)	980
496,468	(329,242)	167,226	Cost Of Services	564,921	(402,353)	162,568
Other Operating Expenditure						
212	(451)	(239)	(Gain)/Loss on Disposal of Non-Current Assets	31	(512)	(481)
27,707	(32,095)	(4,388)	Operations	32,081	(34,691)	(2,610) 4
242	0	242	Contribution of Housing Capital Receipts to Government Pool	761	0	761 39
28,161	(32,546)	(4,385)		32,873	(35,203)	(2,330)
Financing and Investment Income and Expenditure						
6,468	0	6,468	Interest Payable & other Similar Charges	6,995	0	6,995
0	(2,379)	(2,379)	Interest and Investment Income	0	(2,975)	(2,975) 5
9,600	0	9,600	Pensions Interest Cost and Expected Return on Pensions Assets (IAS19)	6,700	0	6,700 8
16,068	(2,379)	13,689		13,695	(2,975)	10,720
Taxation and Non-Specific Grant Income						
Demand On Collection Fund:						
0	(72,761)	(72,761)	Council Tax	0	(75,297)	(75,297)
0	(21,266)	(21,266)	Government Grants (not attributable to specific services)	0	(25,146)	(25,146)
0	(52,558)	(52,558)	Non-Domestic Rate distribution	0	(57,753)	(57,753)
0	(13,443)	(13,443)	Capital grants and contributions	0	(16,579)	(16,579)
0	(160,028)	(160,028)		0	(174,775)	(174,775)
(Surplus) or Deficit On Provision of Services						
540,697	(524,195)	16,502		611,489	(615,306)	(3,817)
Other Comprehensive Income and Expenditure						
		15,743	(Surplus) / Deficit on revaluation of property, plant and equipment			(1,972)
		103	(Surplus) / Deficit on revaluation of available for sale financial assets			103
		163,432	Actuarial (gains) / losses on pension assets and liabilities			(109,800)
		352	Any other (gains)/ losses for the year			(2,221)
		179,630	Other Comprehensive Income and Expenditure			(113,890)
		196,132	Total Comprehensive Income and Expenditure			(117,707)

BALANCE SHEET AT 31ST MARCH 2011

1/4/2009 Restated £'000	31/3/2010 Restated £'000		31/3/2011			
£'000	£'000		£'000	£'000	£'000	Note
		PROPERTY, PLANT & EQUIPMENT				
5,572	5,424	Intangible Fixed Assets	5,272	5,272		20
1,149	1,149	Investment Property	1,136	1,136		21
		<i>Tangible Fixed Assets</i>				
		Operational Assets:				
292,629	273,065	Council Dwellings	221,457			
354,867	359,963	Other Land & Buildings	357,057			
29,847	30,526	Infrastructure Assets	31,600			
4,127	4,146	Vehicles & Plant	3,318			
637	638	Community Assets	638			
48,134	42,860	Non-Operational Assets	42,890			
16,938	8,593	Assets under construction	10,074			
405	2,016	Surplus assets held for disposal	2,016			
754,305	728,380	TOTAL FIXED ASSETS		669,050	675,458	19
		LONG TERM INVESTMENTS				
10,214	10,214	Manchester Airport PLC		10,214		27
5,029	5,004	Royal Bank of Scotland		0		27
0	1,420	Bury MBC Townside Fields Ltd		10,215	20,429	27
15,243	16,638					
		LONG TERM DEBTORS				
0	0	Long term Debtors - General		130		
9,006	9,855	Loan Accounts		9,811		28
24	22	Debt Managed for Probation Services		21	9,962	22
9,030	9,877					
		CURRENT ASSETS				
1,090	1,203	Stocks & Work in Progress	1,236			
391	335	Assets Held for Sale	72			19
33,104	34,262	Sundry Debtors & Advance Payments	32,256			29
26,491	14,907	Short Term Investments	30,415			47
3,396	12,280	Cash And Cash Equivalents	8,319			
64,472	62,987			72,298		
		LESS : CURRENT LIABILITIES				
(4,377)	(2,278)	Short Term Loans Outstanding	(15,597)			31
(192)	(253)	Deposits & Clients' Funds	(221)			
(852)	(864)	Short Term Provisions	(1,427)			34
(47,651)	(36,021)	Sundry Creditors & Advance Receipts	(33,070)			30
(1,529)	(5,397)	Bank Accounts	(3,889)			
(54,601)	(44,813)			(54,204)		
9,871	18,174	NET CURRENT ASSETS			18,094	
788,449	773,069	TOTAL ASSETS LESS CURRENT LIABILITIES			723,943	
		LESS: LONG TERM LIABILITIES				
(119,018)	(130,594)	External Loans Outstanding		(124,032)		31
(3,867)	(9,690)	Capital Grants Receipts in Advance		(14,097)		40
(1,072)	(1,139)	Finance Lease Liabilities		(728)		26
(8,058)	(8,686)	Deferred Liabilities		(8,181)		32
(114,200)	(273,700)	Pension Liability		(113,000)		8
(38,729)	(41,887)	Long Term Provisions		(38,825)		34
(284,944)	(465,696)			(298,863)		
503,505	307,373	TOTAL NET ASSETS			425,080	

1/4/2009	31/3/2010		31/3/2011			
Restated	Restated		£'000	£'000	£'000	Note
£'000	£'000					
		FINANCED BY :				
		USABLE RESERVES				
3,771	(14,564)	Earmarked Reserves		(21,686)		35
40	(307)	Capital Receipts Unapplied		(1,086)		39
(983)	(913)	Capital Grants Unapplied		(622)		
(13,346)	(9,925)	General Fund		(12,809)		13
(922)	(781)	Housing Revenue Account		(688)		
(973)	(891)	Major Repairs Reserve		(20)		
(1,114)	(629)	Competitive Services / Commuted Sums		(1,589)		35
(78)	210	Collection Fund Balance		393		
(10,391)	(13,340)	Other Balances		(14,430)		35
(23,996)	(41,140)				(52,537)	
		UNUSABLE RESERVES				
(189,546)	(173,797)	Revaluation Reserve		(175,733)		36
(408,497)	(389,201)	Capital Adjustment Account		(328,196)		37
(431)	(328)	Financial Instruments		(225)		41
		Adjustment Reserve				
(63)	68	Collection Fund Adjustment Account		214		43
4,942	5,121	Accumulated Absences		4,014		42
114,200	273,700	Pension Reserve		113,000		8
0	18,288	Equal Pay Back Pay Reserve		14,446		
(114)	(84)	Deferred Capital Receipts		(63)		33
(479,509)	(266,233)				(372,543)	
(503,505)	(307,373)	TOTAL RESERVES AND BALANCES			(425,080)	

CASH FLOW STATEMENT

<u>2009/10</u> <u>Restated</u> <u>£000's</u>		<u>2010/2011</u>		
		<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
	<u>OPERATING ACTIVITIES</u>			
	Cash Outflows:			
192,667	Cash Paid to and on behalf of Employees	195,464		
219,210	Cash Paid for Goods and Services	278,707		
27,397	Housing Benefit paid out	31,213		
4,416	Interest Paid	4,501		
242	Payments to Housing Capital Receipts Pool	761		
1,925	Net Increase / (Decrease) in Council Tax Liquid Resources	1,570		
445,857	Cash Outflows Generated from Operating Activities		512,216	
	Cash Inflows:			
(24,889)	Rents (after Rebates)	(25,240)		
(61,436)	Council Tax Receipts (excl major preceptors share of receipts)	(62,825)		
(52,558)	NNDR Receipts from National Pool	(57,753)		
(12,131)	Revenue Support Grant	(8,386)		
(40,669)	DWP Grants for Benefits	(45,533)		
(155,455)	Other Government Grants	(164,925)		
(2,379)	Interest Received	(2,975)		
(1,000)	Airport Dividend Received	(1,000)		
(95,451)	Cash Received for Goods and Services	(157,104)		
(445,968)	Cash Inflows Generated from Operating Activities		(525,741)	
				(13,525)
(111)	NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES			(13,525)
	<u>INVESTING ACTIVITIES</u>			
32,774	Purchase of Fixed Assets		21,623	
1,395	Purchase of Long Term Investments		3,791	
(11,584)	Net Increase / (Decrease) in Short Term Deposits		15,508	
(655)	Proceeds of Sale of Fixed Assets		(1,584)	
(18,206)	Capital Grants received		(16,579)	
3,724	NET CASH FLOWS FROM INVESTING ACTIVITIES			22,759
	<u>FINANCING ACTIVITIES</u>			
	Repayments of amounts borrowed:			
3,876	Long Term loans repaid		7,234	
348	Short Term loans repaid		21,000	
847	Net Receipts from Long Term Debtors		85	
(13,700)	New Long Term Loans		(9,100)	
0	New Short Term Loans		(26,000)	
(8,629)	NET CASH FLOWS FROM FINANCING ACTIVITIES			(6,781)
(5,016)	NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS			2,453
1,867	Cash and Cash Equivalents at beginning of the reporting period			6,883
6,883	Cash and cash equivalents at the end of the reporting period			4,430

Cash and cash equivalents include:

Cash held:		
119	Imprest accounts	116
1,582	Schools cash advances	1,316
(5,397)	Bank current accounts	(3,889)
10,579	Short term deposits with banks & building societies	6,887



S KENYON, C.P.F.A.
Assistant Director of Resources (Finance & Efficiency)
25 August 2011

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

GENERAL

The Statement of Accounts summarises the Council's transactions for the 2010/2011 financial year and its position at year end of 31 March 2011. The Accounts have been prepared in accordance with the Accounts and Audit Regulations (England) 2011 which have replaced the 2003 Regulations and the Local Government and Housing Act 1989. They follow the principles and form recommended by the 2010 Code of Practice on Local Authority Accounting issued by CIPFA (the Code of Practice).

This Code of Practice is the first to be based on International Financial Reporting Standards (IFRS) and has been developed by the CIPFA / LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

Any divergence from the Code is indicated with an appropriate explanatory note.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

In applying the accounting policies the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. Additionally the Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision
- Impairment/reversal of impairment. The Authority has significant investments in property, plant and equipment and intangible assets. Changes in the circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired requiring the book value to be written down to its recoverable amount. Impairments are reversed if the conditions for impairment are no longer present. Evaluating whether an asset is impaired or if an impairment should be reversed requires a high degree of judgement and may depend to a large extent on the selection of key assumptions about the future.
- Investment Properties. The investment portfolio valuation is determined using internal valuations of each of the property assets in the portfolio, which currently total 49. An assessment of the yields for each of these properties is undertaken

using Valuation Office Property Market Reports, market transaction evidence or external valuations as required; and these are then used to produce multipliers and applied to the rental streams from each of the individual properties to form an overall valuation. A key source of uncertainty however is the current economic downturn, where the risk of tenants going into liquidation, administration or simply defaulting on the rent is higher than before, which has the potential to affect the value of investment properties.

- Determining whether a lease agreement is a finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Authority. This judgement has been based upon the degree to which the lease transfers the risks and rewards of ownership to the Authority in accordance with IAS 17. The Authority has recognised as operating leases a number of arrangements which are recognised, in accordance with IFRIC 4, and further details are disclosed in note 25 on page 80.
- Within the Authority there are a number of long-term provisions. The carrying amount of these provisions is estimated based on assumptions about such items as the risk adjustment to cash flows or discount rates used, future changes in prices and estimates of costs. They represent the Authority's best estimate of the expenditure required to settle the obligation at the balance sheet date.
- The pensions liability is based on assumptions relating to discount rates used, future changes in salaries, changes in retirement ages, mortality rates and expected returns on pension fund assets. We review these assumptions regularly, and for pensions annually. However, a change in estimates could have a material impact on the carrying amount of these provisions. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.
- Depreciation of plant and other assets is charged so as to write down the value of those assets to their residual value over their respective estimated useful lives. The Authority is required to assess the useful economic lives and residual values of the assets so that depreciation is charged on a systematic basis to the current carrying amount. These are also dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The depreciation lives of our assets are disclosed on page 47.
- Management assesses the recoverability of its trade and other receivables on a periodic basis based on the age and type of each debt. The percentages applied reflect an assessment of the recoverability of each debt.

ACCOUNTING STANDARDS ISSUED, BUT NOT YET BEEN ADOPTED

The Council is required to disclose information relating to the impact of an accounting change in the financial statements as a result of the adoption by the Code of Practice of a new standard that has been issued, but is not yet required to be adopted by the Council. The Code of Practice for 2011/12 has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council and this will need to be adopted fully by the Council in the 2011/12 financial statements.

The Council is required, however, to disclose the estimated effect of the new standard in the 2010/11 financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by the Council are the collections of pictures and artefacts mainly exhibited in the Art Gallery and Museum.

The principal collections of heritage assets held in the museum include the art collection, museum purchases of social history objects and collection of gifts and bequests.

These collections are currently accounted for at depreciated historical cost and classified as community assets within Property, Plant and Equipment in the Balance Sheet.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information).

The Council anticipates that it is unlikely to be able to recognise the majority of the art collection in future financial statements at valuation as it is of the view that obtaining valuations for the vast majority of these collections would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Council's financial statements – this exemption is permitted by the 2011/12 Code.

The carrying value of heritage assets currently held in the Balance Sheet as Community Assets (at cost) within Property, Plant and Equipment at 1 April 2010 is £0.084 million.

There is no depreciation charged on the heritage assets that are currently classified as community assets because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. The Authority considers that the heritage assets held by the Authority will have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the authority's heritage assets.

ACCOUNTING FOR COUNCIL TAX

From the year commencing 1 April 2009, for both billing authorities and major preceptors, the Council Tax income included in the Income and Expenditure Account for the year shall be accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account in the balance sheet and included as a reconciling item in the Movement in Reserves Statement.

ACCOUNTING FOR NATIONAL NON-DOMESTIC RATES (NNDR)

From the year commencing 1 April 2009 no NNDR income is to be included in the Comprehensive Income and Expenditure Statement except for the cost of collection allowance; the Balance Sheet should not include NNDR arrears, prepayments and overpayments; and in the Cash Flow Statement, Revenue Activities should only include the receipt of the costs of collection allowance and any amounts received in recovering costs of pursuing unpaid debts.

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 39 (page 90).

CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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).

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.

EMPLOYEE BENEFITS

Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year-end. They include benefits such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward

into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the surplus or deficit on the provision of services, then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are benefits payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accrual's basis to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

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's, 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 2007.

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 Movement in Reserves Statement 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 2010/2011 are shown in Note 8 on page 58.

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.

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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement.

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 Comprehensive Income and Expenditure Statement.

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

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

Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement). The exception is where impairment losses have been incurred – these are debited to the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses.

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

FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement 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 Movement In Reserves Statement.

GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants or contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income And Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Where there are no conditions attached to the grant, the grant is recognised immediately as income in the Comprehensive Income and Expenditure Statement. This applies equally to both capital and revenue grants and includes the Area Based Grant which is a non-ringfenced general grant.

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. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The

gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

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.

INTEREST

Interest for the whole authority is seen on the face of the Comprehensive Income and Expenditure Statement 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.

INVENTORIES AND LONG TERM CONTRACTS

Inventories are shown on the balance sheet at the lower of cost and net realisable value with relatively insignificant stocks not being included within the Balance Sheet.

As per the requirement of IAS2 *Inventories*, income and expenditure relevant to long term contracts is reflected in the Comprehensive Income and Expenditure Statement 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.

INVESTMENT PROPERTY

Investment properties are those that are used solely to earn rentals and / or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms length. They are not depreciated but are revalued annually according to market conditions at year-end.

INVESTMENTS

Investments are recorded in the Balance Sheet at amortised cost.

LEASING

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

Rental paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed asset is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes

and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- § the purchase price
- § any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- § infrastructure, community assets and assets under construction – depreciated historical cost
- § dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- § all other assets – fair value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

Where decreases in value are identified, they are accounted for by:

§ where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

§ where there is a balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified they are accounted for by:

§ where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

§ where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following basis:

	<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 (proxy for depreciation)	

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of item, the components are depreciated separately.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Service. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (where Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to

be credited to the Capital Receipts Reserve, and can then only be used for new capital investment (or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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 original objectives remain applicable for local government even after substantial changes have applied to the accounting standards underlying the system since first implemented.

Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis and capitalised as a non-current asset, 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.

In applying the concept of materiality a de-minimis level of **£15,000** in respect of vehicles, plant and equipment (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.

In 2010/11 the Council has applied depreciation to operational assets in accordance with IAS16 'Property, Plant and Equipment'.

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.

PROVISIONS

Provisions are made where an event has taken place that gives the Authority an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that 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.

REDEMPTION OF DEBT

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

- 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 Capital Financing Account (CFA) and Fixed Asset Restatement Account (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 IAS19 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 Comprehensive Income and Expenditure Statement 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.

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 20 (page 76).

REVENUE TRANSACTIONS

Activity is accounted for in the year it takes place, not simply when cash payments are made or received. 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 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 2010/2011 will not be material.

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.

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 Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

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.

2. PRIOR YEAR ADJUSTMENTS / EXCEPTIONAL ITEMS

Authorities are required to follow IAS8 Accounting Policies, Changes in Accounting Estimates and Errors when selecting or changing accounting policies, adopting the accounting treatment, changing estimation techniques, and correcting errors.

Exceptional items are ones that are material in terms of the authority’s overall expenditure and are not expected to recur frequently or regularly. In the budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Price Index (RPI). The impact of this in 2010/11 has been a one-off past service credit of £62.1m as a result of the change which is shown in the Comprehensive Income and Expenditure Statement on page 29 within Non-Distributed Costs.

Prior year adjustments represent those material adjustments applicable to prior years arising from changes in accounting policies or the correction of fundamental errors. The adoption of International Financial Reporting Standards

has required changes in accounting policies that have been highlighted in the Accounting Policies section of this document and in the related financial statements and disclosure notes. The main changes are centred on accounting for property, plant and equipment including leases and employee benefits. Errors may occur in the recognition, measurement, presentation or disclosure of elements of the financial statements. There were no prior period errors requiring correction.

A reconciliation of the changes to the 2009/10 accounts from those presented under the SoRP to those presented under IFRS is as follows:

Comprehensive Income & Expenditure Statement	Gross Exp.	Gross Inc.	Net Exp.	Court Servs	Accumulated Absences	Govt. Grants	Finance Leases	Other CIES	Restated 2009/10 Balance
Continuing Services									
Central Services to the Public	32,546	(28,789)	3,757	279	5				4,041
Non-Distributed Costs	6,096	(36)	6,060						6,060
Court Services	300	(21)	279	(279)					0
Cultural Environmental Regulatory & Planning Services	51,718	(20,440)	31,278		11	(561)	75		30,802
Children's and Education Services	205,961	(165,470)	40,491		134	(779)	639		40,485
Highways & Transport Services	28,660	(7,789)	20,871		2	(61)	152		20,964
Local Authority Housing (HRA)	35,889	(26,436)	9,453						9,453
Other Housing Services	51,857	(47,254)	4,603		0				4,604
Adult Social Care	76,594	(29,763)	46,831		16	(1,208)	2		45,641
Corporate & Democratic Core	4,957	(211)	4,746		1		80		4,826
Other Operating Income & Exp.	432	(117)	315		4	(203)	233		349
Net Cost of Services	495,010	(326,326)	168,684						167,226
(Gain) / Loss on Disposal of Fixed Assets	212	(451)	(239)				0		(239)
(Surplus) / Deficits on Trading Operations	27,699	(32,095)	(4,396)		8				(4,388)
Interest Payable and other similar charges	6,468	0	6,468						6,468
Contribution of Housing Capital Receipts to Government Pool	242	0	242						242
Interest and Investment Income	0	(2,379)	(2,379)						(2,379)
Investment Losses	0	0	0						0
Pension Interest Cost and Expected Return on Pension Assets (IAS19 entry)	9,600	0	9,600						9,600
Net Operating Expenditure	539,232	(361,251)	177,980						176,530
Demand on Collection Fund: Council Tax	0	(72,761)	(72,761)						(72,761)

Government Grants (not attributable to specific services)	0	(21,266)	(21,266)		(21,266)
Non- domestic rate distribution	0	(52,558)	(52,558)		(52,558)
Recognised capital grants and contributions	0	0	0	(13,443)	(13,443)
(Surplus) / deficit on Provision of Services	539,232	(507,836)	31,395		16,502
(Surplus) / deficit of revaluation of property, plant & equipment			12,554	3,189	15,743
(Surplus) / deficit of revaluation of available for sale financial assets			103	0	103
Actuarial (gains) / losses on pension assets & liabilities			163,432	0	163,432
Other (gains) / losses for the year			(5,717)	6,069	352
Other Comprehensive Income & Expenditure					179,630
Total Comprehensive Income & Expenditure					196,132

Balance Sheet	B/Fwd							Restated Balance 31/03/10 £000
	Original Balance 31/03/10 £000	Changes From 01/04/09 £000	Accumulated Absences £000	Finance Leases £000	Govt. Grants £000	Fixed Assets £000	Other £000	
	Fixed Assets							
Intangible Assets	5,424						5,424	
Council Dwellings	273,065	(368)				368	273,065	
Other Land & Buildings	357,887	(23)				2,099	359,963	
Vehicles & Plant	2,892	1,092		162			4,146	
Infrastructure Assets	30,526						30,526	
Community Assets	638						638	
Investment Properties	-	1,149					1,149	
Non-Operational Assets	44,198	(1,149)				(189)	42,860	
Assets Under Construction	12,374					(3,781)	8,593	
Surplus Assets held for Disposal	405					1,611	2,016	
Total Fixed Assets	727,409	701					728,380	
Long Term Investments	16,638						16,638	
Long Term Debtors	9,877						9,877	
Current Assets								
Stocks & Work in Progress	1,203						1,203	

Assets Held for Sale	0	391			(56)			335
Sundry Debtors	34,289	(30)				(4,074)		30,185
Short Term Investments	25,486	(1,695)				(8,884)		14,907
Cash in Hand	1,701	(1,701)						0
Cash & Cash Equivalents	0	3,396				8,884		12,280
Total Current Assets	62,679	361						58,910
Current Liabilities								
Short Term Loans Outstanding	(2,278)							(2,278)
Deposits & Clients' Funds	(254)	1						(253)
Short Term Provisions	0					(864)		(864)
Sundry Creditors	(33,738)	27	(179)	(95)	3,360	(373)	4,175	(26,823)
Capital Grants Unapplied	(10,603)	4,850			5,753			0
Cash Overdrawn	(5,397)	2					(2)	(5,397)
Total Current Liabilities	(52,270)	4,880						(35,615)
Net Current Assets	10,409	5,241						23,295
Long Term Liabilities								
External Loans Outstanding	(130,594)							(130,594)
Capital Grants Receipts in Advance	0	(3,867)			(5,823)			(9,690)
Finance Lease Liability	0	(1,072)		(67)				(1,139)
Deferred Liabilities	(8,686)							(8,686)
Pension Liability	(273,700)							(273,700)
Government Grants Deferred	(32,544)	29,697			2,847			0
Provisions	(42,331)	(5,439)					762	(47,008)
Total Long Term Liabilities	(487,855)	19,319						(470,817)
Total Net Assets	276,478	25,261						307,373
Financed By:								
Earmarked Reserves	(14,564)				(2,814)		2,814	(14,564)
Revaluation Reserve	(177,200)	214				3,189		(173,797)
Capital Adjustment Account	(353,507)	(29,434)			(3,323)	(2,938)	1	(389,201)
Financial Instruments Adj Account	(328)							(328)
Collection Fund Adj Account	68							68
Accumulated Absences	0	4,942	179					5,121
Capital Receipts Unapplied	(307)							(307)
Deferred Capital Receipts	(84)							(84)
Capital Grants Unapplied	0	(983)				70		(913)
Equal Pay Back Pay Reserve	18,288							18,288
Pension Reserve	273,700							273,700
General Fund	(9,925)							(9,925)
Housing Revenue Account	(781)							(781)
Major Repairs Reserve	(891)							(891)
Competitive Servs / Commuted Sums	(629)							(629)
Collection Fund Balance	210							210
Other Balances	(10,528)						(2,812)	(13,340)
Total Reserves and Balances	(276,478)	(25,261)	0	0	0	0	0	(307,373)

3. EVENTS AFTER THE BALANCE SHEET DATE

No events have taken place after 31 March 2011 that will have an impact on the financial statements and notes to the accounts.

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>2009/10</u>		<u>Gross</u>	<u>2010/11</u>	<u>Deficit/</u>
<u>Restated</u>		<u>Expenditure</u>	<u>Income</u>	<u>(Surplus)</u>
<u>Deficit/</u>		<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
<u>(Surplus)</u>				<u>(Surplus)</u>
<u>£000's</u>				<u>£000's</u>
547	Civic Halls	1,760	(962)	798
(1,035)	Markets	1,740	(2,638)	(898)
(1,016)	Property & Estates	3,038	(3,744)	(706)
(599)	Industrial Units	997	(1,437)	(440)
	Highway Network Services	4,380	(4,597)	217
(35)				
(91)	Architectural Practice	3,040	(3,140)	(100)
(418)	Grounds Maintenance	3,215	(3,247)	(32)
(660)	Cleaning of Buildings	5,846	(5,991)	(145)
0	Education – Fair Funding	2,877	(2,877)	0
	Emergency & Security			
(269)	Service	1,162	(1,494)	(332)
(812)	Transport Services	4,026	(4,564)	(538)
(4,388)	TOTAL	32,081	(34,691)	(2,610)

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.

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 2009/10 and 2010/11 figures include adjustment for IAS19 (formerly FRS17), accumulated absence (accrued holiday pay) and Impairment charges. 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).

5. **INTEREST AND INVESTMENT INCOME**

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

	<u>2009/2010</u> <u>£000's</u>	<u>2010/2011</u> <u>£000's</u>
Interest on Car Loans	70	77
Mortgage Interest repayment – Housing Revenue Account	6	4
Mortgage Interest repayment – Housing Loan Account	28	25
Discount- Early Repayment of Debt	0	0
Investment Interest	784	610
Interest on Airport Loan	305	1,009
Interest on Other Balances	186	250
Airport Dividend	1,000	1,000
TOTAL	2,379	2,975

6. **ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2009/10	Usable Reserves					Movement in Unusable Reserves £000's
	General Fund Balance £000's	Housing Revenue Account £000's	Capital Receipts Reserve £000's	Major Repairs Reserve £000's	Capital Grants Unapplied £000's	
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	32,622					(32,622)
Amortisation of Intangible Assets	748					(748)
Capital grant and contributions applied	(13,443)				(70)	13,513
Revenue expenditure funded from capital under statute	3,203					(3,203)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(255)					255
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(5,544)					5,544
Capital expenditure charged against the General Fund and HRA balances	(93)	(141)				234
Adjustments primarily involving the Capital Receipts Reserve:						
Use of Capital Receipts Reserve to finance new capital expenditure			(106)			106
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	242		(242)			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			695			(695)
Adjustments primarily involving the Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure				(82)		82
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and	103					(103)

2009/10	Usable Reserves					<u>Movement in Unusable Reserves</u> £000's
	<u>General Fund Balance</u>	<u>Housing Revenue Account</u>	<u>Capital Receipts Reserve</u>	<u>Major Repairs Reserve</u>	<u>Capital Grants Unapplied</u>	
	£000's	£000's	£000's	£000's	£000's	
Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements						
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	8,400					(8,400)
Employer's pensions contributions and direct payments to pensioners payable in the year	(12,332)					12,332
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	131					(131)
Adjustments primarily involving the Unequal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	3,615					(3,615)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	179					(179)
Total Adjustments	17,576	(141)	347	(82)	(70)	(17,630)

2010/11	Usable Reserves					<u>Movement in Unusable Reserves</u> £000's
	<u>General Fund Balance</u>	<u>Housing Revenue Account</u>	<u>Capital Receipts Reserve</u>	<u>Major Repairs Reserve</u>	<u>Capital Grants Unapplied</u>	
	£000's	£000's	£000's	£000's	£000's	
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	27,260					(27,260)
Amortisation of Intangible Assets	817					(817)
Capital grant and contributions applied	(16,579)				(291)	16,870
Revenue expenditure funded from capital under statute	4,217					(4,217)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(481)					481
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(5,838)					5,838
Capital expenditure charged against the General Fund and HRA balances	(345)	(93)				438
Adjustments primarily involving the Capital Receipts Reserve:						
Use of Capital Receipts Reserve to finance new capital expenditure			(44)			44
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	761		(761)			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			1,584			(1,584)
Adjustments primarily involving the Major Repairs Reserve:						

2010/11	Usable Reserves					<u>Movement in Unusable Reserves</u> £000's
	<u>General Fund Balance</u> £000's	<u>Housing Revenue Account</u> £000's	<u>Capital Receipts Reserve</u> £000's	<u>Major Repairs Reserve</u> £000's	<u>Capital Grants Unapplied</u> £000's	
Use of the Major Repairs Reserve to finance new capital expenditure				(871)		871
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	103					(103)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	16,500					(16,500)
Employer's pensions contributions and direct payments to pensioners payable in the year	(12,854)					12,854
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	146					(146)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,107)					1,107
Total Adjustments	12,600	(93)	779	(871)	(291)	(12,124)

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 2010/11. 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. Also included is the MRP contribution to cover finance lease liabilities. The calculation is shown below:-

<u>2009/2010</u> £000's	<u>Provision for Repayment of External Loans</u>	<u>2010/2011</u> £000's
4,143	Minimum Revenue Provision for the General Fund	4,474
475	Finance lease liabilities	411
488	Other principal repayments	505
5,106	TOTAL	5,390
438	Voluntary Revenue Provision	448

8. DEFINED BENEFIT PENSION SCHEMES

Participation in Pensions Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs 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 reported 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 post employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	<u>Year to</u> <u>31 March</u> <u>2010</u> £000's	<u>Year to</u> <u>31 March</u> <u>2011</u> £000's
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current Service Cost	8,400	16,500
Past service costs	1,700	3,200
Curtailment and Settlements	0	(300)
Change in pension increases (see note below)	0	(62,100)
Net operating Expenditure	10,100	(42,700)
Interest cost	29,000	35,600
Expected return on assets in the scheme	(19,400)	(28,900)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	19,700	(36,000)
Other post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial (gains) and losses	154,600	(109,800)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	174,300	(145,800)
Movement in Reserves Statement		
Reversal of net changes made to the Surplus or Deficit for the Provision of	(15,232)	55,546

Services for post employment benefits in accordance with the code

Actual amount charged against the General Fund Balance for pensions in the year:

Employers' contributions payable to scheme	12,332	12,854
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Note: the change in pension increases in 2010/11 is due to the Chancellor's statement linking increases to Consumer Price Index (CPI) and not the Retail Price Index (RPI) as previously used.

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2011 is a loss of £95.000m.

In addition to the employer's contributions to the Greater Manchester Pension Scheme, the Authority also makes payments to the Department for Education (DfE) 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>2009/10</u>		<u>2010/11</u>	<u>Proportion of Pensionable pay</u>
<u>Total Cost £000's</u>		<u>Total Cost £000's</u>	<u>%</u>
Teachers			
8,053	Contribution to DCSF etc.	8,239	12.57
1,542	Added years and pensions increases	1,528	2.53
0	Lump sum payments	0	
9,595		9,767	
Other employees			
12,332	Contribution to Superannuation Fund	12,851	12.57
1,387	Added years and pensions increases	1,356	1.33
0	Lump sum payments	0	
13,719		14,207	

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	31 Mar 2010	31 Mar 2011
	£000	£000
Opening balance 1 st April	421,600	693,600
Current Service Costs	8,400	16,500
Interest Cost	29,000	35,600

Contributions by scheme participants	5,100	5,200
Actuarial (Gains) / Losses	245,900	(113,800)
Estimated Benefits Paid	(15,200)	(17,900)
Estimated Unfunded Benefits Paid	(2,900)	(2,900)
Past Service Costs / (Gains)	1,700	3,200
Change in pension increases	0	(62,100)
Losses / (gains) on Curtailments	0	300
Closing balance at 31st March	693,600	557,700

Reconciliation of fair value of the scheme (plan) assets:

	31 Mar 2010 £000	31 Mar 2011 £000
Opening balance 1 st April	307,400	419,900
Expected rate of return	19,400	28,900
Actuarial Gains / (Losses)	91,300	(4,000)
Employer contributions	11,900	12,600
Contributions by scheme participants	5,100	5,200
Benefits paid	(15,200)	(17,900)
Contributions in respect of Unfunded Benefits	2,900	2,900
Unfunded Benefits Paid	(2,900)	(2,900)
31st March	419,900	444,700

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 loss of £4,000,000 (2009/10 this was a gain of £91,300,000)

Scheme history

	31 Mar 2010 £000	31 Mar 2011 £000
Present value of liabilities: Local Government Pension Scheme	(650,900)	(520,300)
Fair Value of Assets in the Local Government Pension Scheme	419,900	444,700
Surplus / (deficit) in the scheme:	(231,000)	(75,600)

Discretionary benefits	(42,700)	(37,400)
Total	(273,700)	(113,000)

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £520.300m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £113.000m.

However, statutory arrangements for funding the deficit mean that it presents a low risk to the Authority.

The deficit of the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2012 are £13,300,000. Expected contributions to the Discretionary Benefits scheme in the year to 31st March 2012 are £2,854,000.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions payable in future schemes dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension 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 2010 £000	31 Mar 2011 £000
Equity investments	7.8%	7.5%
Bonds	5.0%	4.9%
Property	5.8%	5.5%
Cash	4.8%	4.6%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	20.8 years	20.1 years
- Women	24.1 years	22.9 years
Longevity at 65 for future pensioners:		
- Men	22.8 years	22.5 years
- Women	26.2 years	25.0 years
Rate of inflation (CPI)	3.8%*	2.8%
Rate of increase in salaries	5.3%	4.3%

Rate of increase in pensions	3.8%	2.8%
Rate for discounting scheme liabilities	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum	50%	50%
* RPI figure		

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Major Categories of Plan Assets as Percentage of Total Plan Assets:	31 Mar 2010 £000	31 Mar 2011 £000
Equity investments	67%	66%
Debt Instruments	16%	17%
Other assets	17%	17%
	100%	100%

History of experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities as at 31st March 2011:

	<u>2010/11</u> <u>£000's</u>	<u>2009/10</u> <u>£000's</u>	<u>2008/09</u> <u>£000's</u>	<u>2007/08</u> <u>£000's</u>	<u>2006/07</u> <u>£000's</u>
Differences between expected and actual return on assets	(700)	91,400	36,700	(12,800)	(6,700)
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Experience gains and losses on liabilities:-					
Assets	(0.90)	21.74	(28.50)	(12.51)	0.61
Liabilities	8.54	(0.27)	(0.12)	0.60	(0.10)

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. MANCHESTER AIRPORT PLC

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

<u>2009/2010</u> <u>£000's</u>	<u>2010/2011</u> <u>£000's</u>
Income	
(420) Rent Income	(410)
(1,000) Dividend Income	(1000)
(1,420)	(1,410)
Expenditure	
81 Repayment of loans	80
Contribution to Airport Share	
0 Reserve	0
153 Impairment charges	0
234	80
(1,186) NET INCOME	(1,330)

In 2010/11 net income of £1.33 million was transferred to the Comprehensive Income and Expenditure Statement.

10. EMPLOYEES IN HIGHER EARNINGS BANDS

In accordance with the Accounts and Audit (England) Regulations 2011, Authorities are required to disclose individual remuneration details for certain employees.

The following table, therefore, sets out the **remuneration** disclosure for senior officers (excluding teachers), identified by name, whose **salary** is £150,000 or more per year.

Postholder Information (Post title and Name)	Note	Salary (including fees and allowances) £	Benefits In Kind £	Total Remuneration excluding pension contributions £	Employers Pension Contributions £	Total Remuneration Including Pension Contributions £
2010/11						
Chief Executive – M Sanders	1	146,927	883	147,810	25,925	173,735
2009/10						
Chief Executive – M Sanders	2	167,023	906	167,929	25,053	192,982

Notes:

1. Mr M Sanders took voluntary early retirement wef 28 February 2011 and had an annual salary of £160,284 at the date of leaving the Council.
2. The salary includes £6,739 Returning Officer Euro Election allowance

The following table sets out the **remuneration** disclosures for Senior Officers (excluding teachers), identified by job title, whose **salary** is less than £150,000 but equal to or more than £50,000 per year and who were members of the Council's Management Board.

Postholder Information (Post title and Name)	Note	Salary (including fees and allowances) £	Benefits In Kind £	Total Remuneration excluding pension contributions £	Employers Pension Contributions £	Total Remuneration Including Pension Contributions £
2010/11						
Deputy Chief Executive	1	136,627	963	137,590	21,450	159,040
Executive Director – Children’s Services		111,856	0	111,856	17,561	129,417
Executive Director – Adult Services		101,022	0	101,022	15,860	116,882
Executive Director – Environment & Development		101,022	0	101,022	15,860	116,882
Director of Finance & E- Government	2	92,087	0	92,087	14,458	106,545
Director of Personnel		84,348	0	84,348	13,243	97,591
Director of Legal & Democratic Services		82,548	0	82,548	12,114	94,662
Assistant Chief Executive	3	77,700	0	77,700	12,199	89,899
2009/10						
Deputy Chief Executive		122,577	906	123,483	18,387	141,870
Executive Director – Children’s Services		109,284	0	109,284	16,377	125,661
Executive Director – Adult Services		98,994	0	98,994	14,849	113,843
Executive Director – Environment & Development		98,994	0	98,994	14,849	113,843
Director of Finance & E- Government		89,934	0	89,934	13,490	103,424
Director of Personnel		81,927	0	81,927	12,273	94,200
Director of Legal & Democratic Services		80,763	0	80,763	12,114	92,877
Assistant Chief Executive		72,000	0	72,000	10,800	82,800

Notes:

1. The occupant of this post was promoted to the position of Chief Executive from 01 March, 2011 and had an annual salary of £136,627 as at 31 March, 2011.
2. The occupant of this post was promoted to the position of Executive Director of Resources from 01 March, 2011 and had an annual salary of £94,950 as at 31 March, 2011.
3. The occupant of this post was promoted to the position of Deputy Chief Executive from 01 March 2011 and had an annual salary of £122,577 as at 31 March, 2011. The post of Assistant Chief Executive was disestablished wef 1 March, 2011.

The number of employees, including teachers, whose remuneration, excluding employer pension contributions, was £50,000 or more in bands of £5,000 is as follows:-

<u>Salary Range (£)</u>	<u>2009/10</u>	<u>2010/2011</u>
50,000 to 54,999	49	60
55,000 to 59,999	49	46
60,000 to 64,999	16	29
65,000 to 69,999	8	9
70,000 to 74,999	9	6
75,000 to 79,999	4	9
80,000 to 84,999	6	4
85,000 to 89,999	3	4
90,000 to 94,999	1	1
95,000 to 99,999	2	1
100,000 to 104,999	0	2
105,000 to 109,999	1	0
110,000 to 114,999	1	2
115,000 to 119,999	0	0
120,000 to 124,999	1	0
125,000 to 129,999	0	0
130,000 to 134,999	0	0
135,000 to 139,999	0	1
140,000 to 144,999	0	0
145,000 to 149,999	0	1
150,000 to 154,999	0	0
155,000 to 159,999	0	0
160,000 to 164,999	0	0
165,000 to 169,999	1	0
TOTAL	151	175

11. MEMBERS ALLOWANCES

The total amount of Allowances paid to Members of the Council during 2010/11 was £594,089 (£623,438 in 2009/10) plus Employees National Insurance of £41,957 (£46,639 in 2009/10), giving an overall total of £636,046. In addition during 2010/11 Members were also paid Expenses totaling £20,836 (£20,193 in 2009/10).

12. TRANSACTIONS WITH RELATED PARTIES

This is a disclosure note required by IAS24 *Related Party Disclosures*, 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.

The Authority has a pooled budget arrangement with NHS Bury for the provision of a community equipment service. Transactions and balances outstanding are detailed in Note 16.

During 2010/2011 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 £12,604 during 2010/2011 (£12,213 during 2009/2010).

4 Members of the Council are on the board of Six Town Housing, which represents 30.8% of the voting rights of Six Town Housing. The Council entered into transactions with the concern to the net value of £5,330,645 during 2010/2011 (£6,447,228 in 2009/2010). This represents income to the Council of £9,933,320 (£10,528,286 in 2009/2010) and expenditure of £15,263,965 (£16,975,514 in 2009/2010), including the management fee paid to Six Town Housing, of £13,153,800.

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.

13. GENERAL FUND MOVEMENTS

The 2010/2011 surplus on the General Fund (excluding the use of balances and reserves) of **£2.819m** is split as follows: -

	<u>DSG</u> <u>Schools</u> <u>Budget</u> <u>£000's</u>	<u>General</u> <u>£000's</u>	<u>Total</u> <u>£000's</u>
Balance at 31st March 2010	(3,681)	(6,244)	(9,925)
(Surplus)/Deficit for the Year	(823)	(1,996)	(2,819)
In Year Contribution	0	(65)	(65)
Balance at 31st March 2011	(4,504)	(8,305)	(12,809)

The directorate carry-forward requests were considered by the Executive on 13 July, 2011.

14. DISCLOSURE OF DEPLOYMENT OF DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies, provided by the Department for Education. The Dedicated Schools Grant (DSG) 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 2010/11 follows:

	Central Expenditure	ISB	Total	Note
	£000	£000	£000	
Final DSG for 2010-11			116,578	

Brought Forward from 2010-11			(2,422)	
Carry forward to 2011-2012 agreed in Advance				
Agreed budgeted distribution in 2010-11	(12,113)	(102,043)	(114,156)	(a)
Budgeted distributions for DSG above DfE Allocation 2010-11	0	(1,591)	(1,591)	(b)
Actual Central Expenditure	13,660		13,660	
Actual ISB deployed to Schools	0	103,634	103,634	
Local Authority contribution for 2010-11	0	0	0	
Carry forward to 2011-12	1,547	0	1,547	

Note

- (a) The Schools Forum sanctioned a breach of the Central Expenditure Limit in their meeting of 21st January 2010, Item number 10.
- (b) The Authority has a duty to provide the schools with their budgets by 31st March each year, based on the Indicative Settlement outlined by the DfE, the final allocations is not confirmed until some 3 months later. In 2010-11 the Final Allocation notified by the DfE was considerably lower than previously indicated and it was decided by Schools Forum that the budgets distributed to schools on the 31st March 2010 should retained and offset against future years budgets.

15. DISCLOSURE OF AUDIT COSTS

In 2010/2011 the Authority incurred the following fees relating to external audit and inspection:

	<u>2009/2010</u> <u>(£000)</u>	<u>2010/2011</u> <u>(£000)</u>
Fees payable to the Audit Commission / KPMG with regard to external audit services carried out	286	286
Fees payable to the Audit Commission in respect of statutory inspection	17	0
Fees payable to the Audit Commission / KPMG for the certification of grant claims and returns	36	35
Fees payable in respect of other services provided by KPMG	18	0
Audit Commission subsidy	0	(27)
TOTAL	357	294

16. 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 NHS Bury. 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 2010/11 are shown below. The £98,920 deficit will be met by Bury Council and NHS Bury, although the allocation is to be confirmed. A copy of the statutory Pooled Fund Memorandum of Account can be

obtained from the Assistant Director of Resources (Finance and Efficiency), Bury Council, Town Hall, Knowsley Street, Bury.

	<u>2010/2011</u> <u>Total Fund</u> <u>£000</u>
Contributions to the pool	(539)
Expenditure from the pool	<u>638</u>
Deficit	<u>99</u>

The 2009/2010 deficit was £42,000 which was met by Bury Council and NHS Bury.

17. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best value accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Executive on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to departments.

The income and expenditure of the Authority's principal departments recorded in the budget reports for the year and detailed on page 19 of this document is as follows:

<u>2010/11</u>							
<i>All figures shown are in £000's</i>							
Directorate / Services	Chief Executive's	Other	Housing General Fund	Children's Services	Environment & Development Services	Adult Care Services	Directorate Analysis Total
Fees, charges & other service income	(23,939)	(6,522)	(65)	(23,701)	(59,396)	(21,727)	(135,349)
Government Grants	(20,258)	(19,209)	(49,295)	(148,590)	(1,056)	(11,120)	(249,528)
Total Income	(44,197)	(25,731)	(49,359)	(172,291)	(60,452)	(32,847)	(384,877)
Employee expenses	23,333	(54,388)	0	152,631	48,369	39,941	209,886
Other operating expenses	24,263	32,411	47,798	73,363	57,299	49,474	284,607
Support service recharges	11,009	(8,978)	1,873	11,252	12,413	2,391	29,960
Total operating expenses	58,605	(30,955)	49,670	237,246	118,081	91,806	524,453
Cost of Service	14,408	(56,686)	311	64,955	57,629	58,959	139,576

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	
	<u>£000's</u>
(Directorate) Analysis	139,576
Services and Support Services not in Analysis	(658)
Amounts not reported to management for decision making	4,257
Amounts not included in I & E	(33,908)
Sub Total - Cost of Services	109,267
Less Corporate Amounts	(162,623)
Total	(53,356)

Reconciliation to Subjective Analysis	(Directorate) Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Cost of services	Corporate Amounts	Total
Fees, charges & other service income	(132,350)	(9,983)	(26,939)	0	(169,272)	(31,814)	(201,086)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	(3,000)	0	0	(16,500)	(19,500)	(2,975)	(22,475)
Income from Council Tax	0	0	0	0	0	(75,297)	(75,297)
Government grants and contributions	(249,528)	(143,328)	4,844	0	(388,012)	(99,478)	(487,490)
Total income	(384,878)	(153,311)	(22,095)	(16,500)	(576,784)	(209,564)	(786,348)
Employee expenses	209,886	107,380	0	0	317,266	16,247	333,513
Other service expenses	246,050	42,321	15,426	(42,975)	260,822	18,866	279,688
Support service recharges	29,961	2,920	0	0	32,881	2,384	35,265

Depreciation, amortisation and impairment	9,063	32	10,910	25,567	45,572	2,169	47,741
Interest payments	6,995	0	16	0	7,011	6,995	14,006
Precepts and Levies	22,499	0	0	0	22,499	0	22,499
Payments to Housing Capital Receipts Pool	0	0	0	0	0	761	761
Gain or Loss on disposal of fixed assets	0	0	0	0	0	(481)	(481)
Total operating expenses	524,454	152,653	26,352	(17,408)	686,051	46,941	732,992
Surplus or deficit on the provision of services	139,576	(658)	4,257	(33,908)	109,267	(162,623)	(53,356)

2009/10							
All figures shown are in £000's							
Directorate / Services	Chief Executive's	Other	Housing General Fund	Children's Services	Environment & Development Services	Adult Care Services	Directorate Analysis Total
Fees, charges & other service income	(30,698)	(5,086)	(109)	(20,769)	(59,379)	(16,176)	(132,217)
Government Grants	(15,481)	(220)	(45,167)	(139,789)	(295)	(15,191)	(216,143)
Total Income	(46,179)	(5,306)	(45,276)	(160,558)	(59,674)	(31,367)	(348,360)
Employee expenses	14,585	15,211	0	121,158	32,437	23,537	206,928
Other operating expenses	25,879	15,311	44,024	60,778	53,811	48,197	248,000
Support service recharges	11,126	(8,539)	1,917	11,077	14,159	1,667	31,407
Total operating expenses	51,590	21,983	45,941	193,013	100,407	73,401	486,335
Cost of Service	5,411	16,677	665	32,455	40,733	42,034	137,975

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	
	<u>£000's</u>
(Directorate) Analysis	137,975
Services and Support Services not in Analysis	2,994

Amounts not reported to management for decision making	13,215
Amounts not included in I & E	13,042
Sub Total - Cost of Services	167,226
Less Corporate Amounts	(150,724)
Total	16,502

Reconciliation to Subjective Analysis	(Directorate) Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Cost of services	Corporate Amounts	Total
Fees, charges & other service income	(129,838)	(10,248)	(26,436)	0	(166,522)	(32,095)	(198,617)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	(2,379)	0	0	(18,663)	(21,042)	(2,379)	(23,421)
Income from Council Tax	0	0	0	0	0	(72,761)	(72,761)
Government grants and contributions	(216,143)	(134,210)	4,491	0	(345,862)	(87,267)	(433,129)
Total income	(348,360)	(144,458)	(21,945)	(18,663)	(533,426)	(194,502)	(727,928)
Employee expenses	206,929	103,076	0	179	310,184	11,540	321,724
Other service expenses	213,314	41,434	19,205	1,381	275,334	22,230	297,564
Support service recharges	31,407	2,822	0	0	34,229	1,939	36,168
Depreciation, amortisation and impairment	7,226	120	15,940	21,745	45,031	1,598	46,629
Interest payments	6,468	0	15	8,400	14,883	6,468	21,351
Precepts and Levies	20,991	0	0	0	20,991	0	20,991
Payments to Housing Capital Receipts Pool	0	0	0	0	0	242	242
Gain or Loss on disposal of fixed assets	0	0	0	0	0	(239)	(239)
Total operating expenses	486,335	147,452	35,160	31,705	700,652	43,778	744,430
Surplus or deficit on the provision of services	137,975	2,994	13,215	13,042	167,226	(150,724)	16,502

RECONCILIATION OF (DIRECTORATE) INCOME AND EXPENDITURE TO COST OF SERVICES IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This reconciliation shows how the figures in the analysis of (directorate) income and expenditure relates to the amounts included in the Comprehensive Income and Expenditure Statement

	<u>2009/2010</u> <u>£000's</u>	<u>2010/2011</u> <u>£000's</u>
Net expenditure in the (Directorate) Analysis	137,975	139,576
Net expenditure of services and support services not included in the Analysis	2,994	(658)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	13,215	4,257
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	13,042	(33,908)
Cost of Services in Comprehensive Income and Expenditure Statement	167,226	109,267

18. BURY LEARNING DISABILITY PARTNERSHIP BOARD POOLED FUND MEMORANDUM ACCOUNT

In March 2003, the Council entered into a Section 31 Health Act 1999 Partnership Agreement (since superseded by Section 75 of the Health Service Act 2006) for the pooling of its learning disability service budgets with NHS Bury.

However, nationally the responsibility for the commissioning of Learning Disability social care services is being transferred from health authorities to Councils. Because of this a Pooled Budget was not established in the 2010/11 financial year, nor will it in future years.

19. TANGIBLE FIXED ASSETS

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

TANGIBLE FIXED ASSETS - OPERATIONAL	Council Dwellings	Other Land & Buildings	Infrastruct- -ure Assets	Vehicles, Plant and Eqpt	Community Assets	Total
Certified Valuation or Cost at 1 April 2010	278,040	372,264	39,269	7,375	638	697,586

Additions	5,965	11,407	3,778	337	136	21,623
Revaluations recognised in the Revaluation Reserve	(1,292)	0	0	0	0	(1,292)
Disposals	0	0	0	0	0	0
Reclassification (to) / from Held for Sale	(807)	0	0	0	0	(807)
Other movements - Reclassification	0	2,069	0	0	0	2,069
Value of assets at 31 March 2011	281,906	385,740	43,047	7,712	774	719,179
Accumulated depreciation and impairment at 1 April 2010	(4,974)	(12,302)	(8,744)	(3,229)	0	(29,248)
Depreciation - annual charge	(4,945)	(5,014)	(2,067)	(1,165)	0	(13,191)
Depreciation - written out to Revaluation Reserve	4,974	0	0	0	0	4,974
Depreciation - written out to the Surplus/Deficit on the Provision of Services	0	1	40	0	0	41
Impairments recognised in the Surplus/Deficit on the Provision of Services	(55,504)	(11,368)	(677)	0	(136)	(67,685)
Disposals	0	0	0	0	0	0
At 31 March 2011	(60,449)	(28,683)	(11,447)	(4,394)	(136)	(105,109)
Balance Sheet Value of assets at 31 March 2011	221,457	357,057	31,600	3,318	638	614,070

Balance Sheet Value of assets at 1 April 2010	273,066	359,963	30,526	4,146	638	668,338
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TANGIBLE FIXED ASSETS - NON-OPERATIONAL	Non Operational Assets	Surplus Assets	Assets under construction	Total
Certified Valuation or Cost at 1 April 2010	42,859	2,016	8,593	53,658
Additions	587	0	3,550	4,137
Revaluations recognised in the Revaluation Reserve	299	0	0	299
Revaluations recognised in the Surplus/Deficit on the provision of Services	(268)	0	0	(268)
Disposals	0	0	0	0
Reclassification (to) / from Held for Sale	0	0	0	0
Other movements - Reclassification	0	0	(2,069)	(2,259)
Value of assets at 31 March 2011	43,477	2,016	10,074	55,567
Accumulated depreciation and impairment at 1 April 2010	0	0	0	0
Depreciation - annual charge	0	0	0	0
Depreciation - written out to Revaluation Reserve	0	0	0	0
Depreciation - written out to the Surplus/Deficit on the Provision of Services	0	0	0	0
Impairments recognised in the Surplus/Deficit on the Provision of Services	(587)	0	0	(587)
Disposals	0	0	0	0
Other movements - Reclassification	0	0	0	0
At 31 March 2011	(587)	0	0	(587)
Balance Sheet Value of assets at 31 March 2011	42,890	2,016	10,074	54,980
Balance Sheet Value of assets at 1 April 2010	42,859	2,016	8,593	53,657

Bury Council's share of land owned at Manchester Airport is included in the accounts under Non-Operational Assets at a value of £6.6million, after an upward revaluation of £0.326m in 2010/11.

An impairment review was carried out in the year as required by IAS36. There were no significant resultant adjustments to the value recorded in the Fixed Assets register for Operational and Non-Operational Investment Properties.

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

	<u>Council Dwellings</u>	<u>Other Land & Bldgs</u>	<u>Vehicle Plant & Eqpt</u>	<u>Infra-structure Assets</u>	<u>Communi-ty Assets</u>	<u>Investm-ent Props</u>	<u>Assets under constru-ction</u>	<u>Surplus Assets</u>	<u>Assets held for Sale</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>	<u>£000's</u>
Valued at Historic Cost	-	-	3,318	31,600	638	-	10,074	-	-	45,630
Valued at Current / Fair Value:										
2010/11	221,457	(2)	-	-	-	-	-	14,323	72	235,850
2009/2010	-	2,293	-	-	-	(48,120)	-	30,178	-	(15,649)
2008/2009	-	79,110	-	-	-	19,902	-	282	-	99,294
2007/2008	-	275,227	-	-	-	25,540	-	108	-	300,875
2006/2007 and prior	-	429	-	-	-	3,814	-	15	-	4,258
Total Tangible Fixed Assets	221,457	357,057	3,318	31,600	638	1,136	10,074	44,906	72	670,258

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.

During 2010/2011 the Authority's housing stock was revalued to £225,713,000. In accordance with IAS 16 "Property, Plant and Equipment" with adaptations for the public sector context, the Council has charged depreciation on its assets to the Comprehensive Income and Expenditure Statement regardless of the maintenance regime on the asset.

20. INTANGIBLE FIXED ASSETS

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

	<u>Software Licences</u>
	<u>£000's</u>
Original cost	8,010
Amortisation to 1st April 2010	(2,586)
Balance at 1st April 2010	5,424
Purchases in year	665
Amortisation in year	(817)
Balance at 31st March 2011	5,272

Expenditure in the year on software licences for new systems totalled £0.665 million. 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.

21. INVESTMENT PROPERTIES

Movements in respect of fair value of investment properties over the year are as follows:

	<u>2009/10</u> <u>£000's</u>	<u>2010/11</u> <u>£000's</u>
Balance at 1st April	1,149	1,149
Purchases in year	0	0
Net Loss from fair value adjustment	0	(13)
Balance at 31st March 2011	1,149	1,136

The following items of income and expenditure have been accounted for in the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement:

	<u>2009/10</u> <u>£000's</u>	<u>2010/11</u> <u>£000's</u>
Rental Income from Investment Property	144	152
Direct operating expenses arising from investment property	(1)	(2)
Net gain / (loss)	143	150

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 2010	22
Written off to Income and Expenditure A/C	(1)
Balance at 31 March 2011	21

23. CAPITAL EXPENDITURE and FINANCING

	<u>2009/2010</u> <u>£000's</u>	<u>2010/2011</u> <u>£000's</u>
Opening Capital Financing Requirement	155,080	165,422
Capital Investment		
Property, Plant And Equipment Additions In the Year		
Operational Assets	24,603	21,623
Non-operational Assets	1,853	4,137

Intangible Assets	600	665
	27,056	26,425
Restatement of Operating to Finance Leases	1,255	
Revenue Expenditure Funded from Capital under Statute	3,203	4,217
Revenue Expenditure Funded from Capital under Statute – Equal Pay back Pay	1,712	3,841
	33,226	34,483
<u>Sources of Finance</u>		
Capital Receipts	(106)	(44)
Government Grants and other Contributions	(12,530)	(16,331)
Sums set aside from Revenue including Minimum Revenue Provision	(10,248)	(11,879)
	(22,884)	(28,254)
Closing Capital Financing Requirement	165,422	171,651
<u>Explanation of movements in year</u>		
Increase in underlying need to borrow - supported by Government financial assistance	6,079	2,786
- unsupported by Government financial assistance	8,099	9,304
Minimum Revenue Provision and other repayments in the year	(5,091)	(5,861)
Increase (decrease)in Capital Financing Requirement	9,087	6,229

At 31st March 2011 the Authority had authorised capital expenditure of **£16.311 million** for 2011/2012 and had also identified a capital investment requirement of **£22.114 million** for the following years under the approved Capital Programme.

Major capital commitments as at 31st March 2011 totalled **£15.965 million** and include:

- Mental Health Services - £0.308m
- Adult Care – Improving Information Management - £0.159m
- School Kitchen & Dining Facilities - £0.187m
- Children Centres - £0.161m
- Integrated Children Services / Replacement Computer System – 0.184m
- Heaton Park Primary - £0.447m
- Millwood Primary New Build - £8.763m
- St Luke’s CE Primary - £0.129m
- Schools – Harnessing Technology - £0.144m
- Emmanuel Holcombe Refurbishment – 0.390m
- Townside Relocation - £1.278m
- Kirklees Trail (Woolfold Gap) - £0.738m
- Philips Park - £0.197m
- Goshen Gymnastics Centre - £0.150m
- Pimhole Clearance/Renewal Area – £1.710m

- Empty Homes Strategy - £0.415m
- Waste Management - £0.369m
- Refurbishment Backlog - £0.236m

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>2009/10</u>	<u>2010/11</u>
<u>Children's Services</u>		
Nursery Schools	1	1
Primary Schools (Council owned)	30	30
Primary School playing fields (VA, VC)*	26	26
Secondary Schools (Council owned)	11	11
Secondary School playing fields (VA, VC)*	2	2
Special Education Establishments	6	6
Youth Centres	5	5
Children & family Centres	1	1
Children's Centres	10	11
Community Centre	0	0
Admin Building	7	5
<u>Highways & Transportation</u>		
<u>Roads (km):</u>		
Principal	55.1	55.0
Non Principal, Classified	71	71
Urban, Unclassified	481	481
Car Parks	60	60
<u>Leisure Facilities</u>		
Parks & Open spaces (area in hectares)	841	842
Civic Halls	4	4
Sports Centres (with pool)	3	3
Sports Centre (no pool)	1	1
<u>Office Accommodation</u>		
Administrative Buildings	11	8
<u>Arts, Libraries, Lifelong Learning</u>		
Art Gallery / Museum	1	1
Adult Learning Centres	1	1
Libraries	12	14
Library / Adult Learning Centre	3	3
<u>Property Services</u>		
Dwellings	3	3
Small Lettings	1131	1126
Commercial Lettings	362	362
Farms, Grazing	24	24
Poster Sites	18	18
Market Shops & Stalls	475	475
Industrial Factory Units	191	191
Magistrates Courts	0	0
<u>Adult Care Services</u>		
Elderly Persons Homes	6	4
Homes for Adults with Learning Disabilities	2	2

Learning Disability Day Centres	4	4
Day Care Centres	3	4
Admin Buildings	8	2
Resource Centre	1	1
Non Operational	2	6
Hostel for the Homeless		1
Other Services		
Cemeteries (area in hectares)	35	35
Public Conveniences	5	5

* VA relates to Voluntary Aided schools and VC relates to Voluntary Controlled schools

25. **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 2010/2011 was £910,855 (2009/2010 £845,728).

Land and Buildings – the Authority leases numerous buildings, which have been accounted for as operating leases. The rentals payable in 2010/2011 were £557,312 (2009/2010 £815,547).

The Authority is committed to making payments of £722,323 under operating leases in 2011/2012 for Vehicles, Plant and Equipment and £1,095,697 for land and Buildings comprising the following elements:

	Land and Buildings	Vehicles, Plant and Equipment
	£	£
Leases expiring in 2011/2012	27,984	5,075
Leases expiring between 2012/2013 and 2016/2017	393,370	717,248
Leases expiring after 2016/2017	674,343	0
TOTAL	1,095,697	722,323

In accordance with IAS17, 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.

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 2010/2011 were £3,423,624 (2009/2010 £3,475,239).

The gross value of assets held for use in operating leases was £36,125,899. 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 2011.

26. FINANCE LEASES

Authority as Lessee:

The Council has reclassified several operating leases as finance leases, and has identified other arrangements which should be finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2010	31 March 2011
	£000	£000
Vehicles, Plant, Furniture and Equipment	1,255	794
Total	1,255	794

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2010	31 March 2011
	£000	£000
Finance lease liabilities (net present value of minimum lease payments)	1,139	728
Finance costs payable in future years	136	77
Minimum lease payments	1,275	805

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
Not later than 1 year	470	429	411	393
Later than 1 year not later than 5 years	804	376	727	334
Later than 5 years	1	0	1	0
	1,275	805	1,139	727

Authority as Lessor:

The Council does not have any finance leases where the Authority is Lessor.

27. INVESTMENTS

Investments at 31st March: consisted of:-	<u>2010</u> <u>£000's</u>	<u>2011</u> <u>£000's</u>
---	--------------------------------------	--------------------------------------

Manchester Airport Group PLC	10,214	10,214
Royal Bank of Scotland	5,004	0
Bury MBC Townside Fields Ltd	1,420	10,215
TOTAL	16,638	20,429

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 2011 showed a profit before tax of £80.6m compared to a profit of £45.6m for the year 2009/2010. The profit after tax for the year was £84.7m compared to £36.9m for the year 2009/2010. Net assets amounted to £817.0m at the 31st March 2011 (the figure at 31st March 2010 was £769.1m). 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 and is now shown under short term investments.

Bury MBC Townside Fields Ltd – This is a long term investment in Bury MBC Townside Fields Ltd which is a wholly owned subsidiary of the Council.

28. DEBTORS & LOAN ACCOUNTS

Long term debtors:	<u>2009/2010</u>	<u>2010/2011</u>
	<u>£000's</u>	<u>£000's</u>
Loan Accounts:		
Car loans (employees)	844	848
Airport Terminal 1	8,411	8,411
Bury Metro Arts Association Ltd	32	32
Bury Music Centre	1	1
Housing Loans	567	519
TOTAL	9,855	9,811
Short term debtors:		
General Fund:	26,139	24,410
Less provision for uncollectable sums	(1,152)	(1,682)
Advance payments	3,144	2,791
Housing Revenue Account:	1,248	1,211
Less provision for uncollectable sums	(1,458)	(1,265)
	27,921	25,465
Collection Fund:		
Council tax	6,194	6,724
DCLG	2,215	2,562
Precepting	379	401
Less provision for uncollectable sums	(2,447)	(2,896)
	6,341	6,791
TOTAL	34,262	32,256

29. ANALYSIS OF DEBTORS

	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Central Government Bodies	6,454	7,008	6,091
Other Local Authorities	798	1,897	2,335
NHS Bodies	75	(60)	(621)
Public Corporations and Trading Funds	376	1,424	619
Bodies External to General Government	25,401	23,9936	23,832
TOTALS	33,104	34,262	32,256

30. ANALYSIS OF CREDITORS

	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Central Government Bodies	7,423	8,161	5,713
Other Local Authorities	2,772	1,896	1,743
NHS Bodies	633	1,011	1,309
Public Corporations and Trading Funds	1,753	1,741	308
Bodies External to General Government	35,070	23,212	23,997
TOTALS	47,651	36,021	33,070

31. LOANS OUTSTANDING, LONG & SHORT TERM

	<u>2009/2010</u>	<u>2010/2011</u>	
	<u>£000's</u>	<u>£000's</u>	
Analysis by loan type:			
PWLB loans:			
Bury	85,110	94,620	
Airport	8,062	5,386	
Market loans	39,697	34,609	
Temporary loans	0	5,012	
Local bonds	3	3	
TOTAL	132,872	139,630	
Analysed by maturity period:-			
Short Term Loans Outstanding			
Within 1 year	2,278	15,597	15,597
Long Term Loans Outstanding			
1/2 years	10,197	7,530	

2/3 years	7,530		7,826	
3/4 years	7,826		6,085	
4/5 years	6,085		9,302	
5/6 years	180		663	
6/10 years	14,667		13,605	
10/15 years	4,095		4,096	
15+ years	80,014	130,594	74,926	124,033
TOTAL		132,872		139,630

The PWLB debt at 31st March 2011 includes **£5.386 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.

32. **DEFERRED LIABILITIES**

	<u>2009/2010</u>	<u>2010/2011</u>
	<u>£000's</u>	<u>£000's</u>
Debt ex GMC – Tameside	7,464	7,030
Debt ex Probation Service – Trafford	22	21
Debt ex Inner City Central Station - MCC	93	87
Debt ex Airport GMMDAF	1,107	1,043
TOTAL	8,686	8,181

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.

As part of the Manchester Airport Loan Conversion debt ex Airport GMMDAF was transferred to Bury Council in 2009/10.

33. **DEFERRED CAPITAL RECEIPTS**

The figures shown in the balance sheet (page 30) 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.

34. **PROVISIONS**

Short Term Provisions

	<u>31st March</u>	<u>Income</u>	<u>Expenditure</u>	<u>31st March</u>
	<u>2010</u>			<u>2011</u>
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Chief Executive's	0	(258)	0	(258)
Children's Services	(839)	(376)	672	(543)
E D S	(17)	(1)	0	(18)
Authority Wide	(8)	(600)	0	(608)
TOTALS	(864)	(1,235)	672	(1,427)

Short term provisions are those provisions that are expected to be expended in the next financial year. These include a provision relating to personal search fees expected to be incurred by Legal Services (£258,000), additional costs to be made to Greater Manchester Pension Fund (£600,000) and £200,000 for the reinstatement costs to the original landlords specification relating to Durham and Hilton House.

Long Term Provisions

	31st March 2010	Income	Expenditure	31st March 2011
	£000's	£000's	£000's	£000's
Liability Insurance	(21,266)	(2,836)	2,000	(22,102)
Property Insurance	(763)	(115)	51	(827)
Children's Services	0	(546)	211	(335)
Development Services	(287)	(1)	11	(277)
Equal Pay Back Pay	(18,287)	0	3,841	(14,446)
Other	(1,284)	(11)	457	(838)
TOTALS	(41,887)	(3,509)	6,571	(38,825)

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 £2.836m 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 £2.000m represent 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 forcible or violent entry / exit to a locked building. The income of £115,000 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 Children's Services provisions are for Long and Short Term Absence of Teachers (£295,000), and Bury Safeguarding Children's Board (£40,000).

The main Development Services provision is the Heywood Link Commuted Sum of £248,000 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.

A provision for Equal Pay Back Pay was set up in 2008/09 and payments are expected to be completed in 2011/12. The expenditure represents payment of claims settled in 2010/11.

The Accumulated Absences provision represents the costs of untaken staff leave outstanding at the end the financial year.

There are various other provisions which the Council makes from time to time. The main ones relate to a land purchase works retention of £525,000 in respect of Radcliffe Riverside High School, and an empty properties purchase provision of £116,000.

35. **EARMARKED RESERVES**

The earmarked 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>Balance</u> <u>at 1st</u> <u>April</u> <u>2009</u> <u>£000's</u>	<u>Transfers</u> <u>out</u> <u>2009/10</u> <u>£000's</u>	<u>Transfers</u> <u>in</u> <u>2009/10</u> <u>£000's</u>	<u>Balance</u> <u>at 31st</u> <u>March</u> <u>2010</u> <u>£000's</u>	<u>Transfers</u> <u>out</u> <u>2010/11</u> <u>£000's</u>	<u>Transfers</u> <u>in</u> <u>2010/11</u> <u>£000's</u>	<u>Balance</u> <u>at 31st</u> <u>March</u> <u>2011</u> <u>£000's</u>
ABG Top Slice	0		231	231		222	453
Adult Care Services	2,116	(465)	1,143	2,794	(712)	2,739	4,821
Airport Shares	0		305	305			305
Arts Reserve	37	(18)	8	27	(19)	11	19
BCCI Reserve	404	(55)		349	(55)		294
Chief Executives	0			0	(10)	428	418
Children's Services	0			0		901	901
EDS	2,278	(286)	312	2,304	(279)	763	2,788
Education (Schools) Fire	131			131			131
Energy Conservation	171	(109)	86	148	(211)	83	20
Environmental Services	141			141			141
GM Connexions Partnership	329	(4)		325	(21)	12	316
ICT Access Reserve	0	(14)	76	62	(29)	13	46
Leisure	70		49	119		42	161
Local Area Partnership Reserve	8	(8)	4	4	(4)	1	1
Outwood Viaduct	78		8	86		8	94
Pay And Grading Reserve	1,100		1,086	2,186		1,198	3,384
Performance Reward Reserves	2,129	(70)		2,059	(235)	2,630	4,454
School Catering Reserve	57	(12)	62	107	(10)	138	235
Strategic Housing Unit Reserves	65	(65)		0			0
Transformation Reserve	(12,885)	(565)	16,636	3,186	(501)	19	2,704
	(3,771)	(1,671)	20,006	14,564	(2086)	9,208	21,686
Commuted Sums	1,114	(603)	118	629	(236)	1,196	1,589
Other Balances	10,391		2,949	13,340	(236)	1,326	14,430
TOTALS	7,734	(2,274)	23,073	28,533	(2,558)	11,730	37,705

The reserves are held for the following purposes:

ABG Top Slice Reserve

The ABG Top Slice Reserve is a reserve set aside to further the objectives of the Local Area Agreement.

Adult Care Services Reserves

The main Adult Care Services Reserves relate to grants received that have not yet been spent, as well as an earmarked amount of £995,000 for Supporting People and some smaller reserves to cover items such as equipment replacement for Carelink and Sheltered Housing.

Arts Reserve

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

BCCI Reserve

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

Chief Executives

These reserves relate to grants received that have not yet been spent.

Children's Services

These reserves relate to grants received that have not yet been spent.

EDS Reserves

This comprises several individual reserves including those for Planning and Highways purposes, unspent grants, 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.

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.

Environmental Services Reserve

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

GM Connexions Partnership Reserve

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

ICT Access Reserve

The ICT Access Reserve is used to fund replacement computer equipment in libraries.

Leisure Reserve

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

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.

Pay and Grading Reserve

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

Performance Reward Reserves

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

School Catering Reserve

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

Transformation Reserve

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

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.

Other Balances

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

36. REVALUATION RESERVE

The 2007 SORP introduced a major change to replace the Fixed Asset Restatement Account and Capital Financing Account with two 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>2009/2010</u> <u>£000's</u>		<u>2010/2011</u> <u>£000's</u>
189,547	Balance at 1st April	173,797
2,092	Upward revaluations in year	5,301
(12,435)	Downward revaluations in the year not charged to Surplus/deficit on the Provision of Services	(1,320)
(10,343)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	3,981
(1,945)	Difference between Fair value depreciation and historical cost depreciation	(2,009)
(3,456)	Impairment Losses	0
(6)	Disposal of fixed assets	(36)
(5,407)	Amount written off to Capital Adjustment Account	(2,045)
173,797	Balance at 31st March	175,733

37. 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>2009/2010</u>		<u>2010/2011</u>
£000's		£000's
408,496	Balance at 1st April	389,201
(31,922)	Depreciation and Impairment Losses	(79,414)
(2,181)	Revaluation losses on Property, Plant and Equipment	0
(748)	Amortisation of Intangible Assets	(817)
(4,916)	Revenue expenditure funded from capital under statute	(8,058)
(391)	Disposal of fixed assets	(1,070)
(3,708)	Restatement of Value	(257)
(1)	Other	(1)
364,629		(89,617)
1,141	Adjusting amounts written out of the Revaluation Reserve	36
365,770	Net written out amount of the cost of non-current assets consumed in the year	299,620
121	Capital receipts applied to capital investment	44
4,998	Movement on MRR	5,778
10,400	Grants applied to capital investment credited to I&E	13,752
2,131	Grants applied to capital investment from the Capital Grants Unapplied Account	2,470

0	Provisions used towards capital investment	109	
5,545	Statutory provision for the financing of capital investment charged against General Fund and HRA balances	5,837	
158	Revenue resources applied to capital investment	240	
78	Other movements	346	
23,431			28,576
389,201	Balance at 31st March		328,196

38. CAPITAL GRANTS DEFERRED ACCOUNT

The deferment of grants to match the consumption of the asset is no longer accepted under the IFRS-based reporting and the balance on this account of £32,544 as at 1 April 2010 was transferred into the Capital Adjustment Account as part of the restated balances. This means that the capital resources used to finance capital Investment are now recognised immediately in the Comprehensive Income and Expenditure Statement.

39. 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 2010/11 after pooled payments made in the year.

<u>2009/2010</u>		<u>2010/2011</u>
<u>£000's</u>		<u>£000's</u>
695	Amounts receivable in 2010/11	1,584
(242)	Pooling of Housing Receipts for the year	(761)
(106)	Amounts applied to finance new capital investment	(44)
347	Total increase/(decrease) in realised capital resources in 2010/11	779
(40)	Balance brought forward at 1 April 10	307
307	Balance carried forward at 31 March 11	1,086

40. CAPITAL GRANTS RECEIPTS IN ADVANCE

These represent amounts received from Government or other third parties for specific capital purposes and have conditions attached to them that will require the monies to be returned to the giver if the conditions are not met.

The balance for conditional grants that have not yet been applied to finance capital expenditure is shown in the table below:

	<u>2010/2011</u>
	<u>£000's</u>
Amounts received in advance in 2010/2011:	
Children's Services grants	13,781
Department for Transport special projects	16
DEFRA contaminated Land	80
BIG Lottery Funding (Communities Libraries)	100
Improving Information Management Grant for Adult Care Services	95
Other Contributions	25
Balance carried forward at 31 March 11	14,097

41. 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 Code and are required by statute to be met from the General Fund. The movement on the account comprises:-

	<u>2010/2011</u>
	<u>£000's</u>
Balance brought forward	(328)
Annual write-off of discounts	126
Annual write-off of premiums	(21)
Effective Interest Rate adjustments for 2 loans	(2)
Balance carried forward	(225)

42. ACCUMULATED ABSENCES ACCOUNT

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward from 31st March. Statutory arrangements require that the impact on the General fund Balance is neutralised by transfers to or from the Account.

<u>2009/2010</u>		<u>2010/2011</u>
<u>£000's</u>		<u>£000's</u>
4,942	Balance at 1st April	5,121
0	Settlement or cancellation of accrual made at the end of the preceding year	0
4,942	Amounts accrued at the end of the current year	5,121
179	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on	(1,107)

5,121	an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements Balance at 31 March	4,014
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43. COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

<u>2009/2010</u> <u>£000's</u>		<u>2010/2011</u> <u>£000's</u>
(63)	Balance at 1 st April	68
131	Amount by which council tax income credited to the Comprehensive Income and Expenditure statement is different from council tax income calculated for the year in accordance with statutory regulations	146
68	TOTAL	214

44. 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 9 outstanding claims with MMI totalling £24,440 as at 31st March 2011. 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 **£1,998,493** 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.

Contractor Claim

An amount of £407,427 is being claimed by a building contractor for Loss and Expense in connection with a Council Housing refurbishment scheme. The

authority is disputing the validity of this claim and has made no provision for potential liability in the accounts at this stage.

45. TRUST FUNDS

The Assistant Director of Resources (Finance and Efficiency) administers a number of trust funds of a mainly educational nature, which are independent of the Authority and excluded from the Balance Sheet.

	<u>2009/2010</u>	<u>2010/2011</u>
	<u>£</u>	<u>£</u>
John Kay Memorial	38,024	38,215
British Cotton Growers	114,432	115,322
Mayor's Charity Fund	32,927	33,577
Hollins Institute Education	163,516	160,456
Rigby Trust	365,768	367,597
Prestwich & District Sick	10,353	10,692
Others	32,770	32,970
Total	<u>757,790</u>	<u>758,829</u>
Represented by :-		
Investments	7,441	7,441
Cash	750,349	751,388
Total	<u>757,790</u>	<u>758,829</u>

46. LOCAL AREA AGREEMENT

Until 31 March 2010 the Council was 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. Bury Council acted as the accountable body for the LAA.

Whilst the Council received **£933,500** Pump Priming Grant for the duration of the LAA (2007/08 to 2009/10) and received **£9,055,400** in 2009/2010 in the form of Area Based Grants, the Council did not receive any LAA grant monies in 2010/11 and the LAA has now ceased.

47. 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 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 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.

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		Total	
	31 st March 2010	31 st March 2011	31 st March 2010	31 st March 2011	31 st March 2010	31 st March 2011
	£000s	£000s	£000s	£000s	£000s	£000s
Borrowings						
Financial liabilities at amortised cost	128,941	122,652	3,931	16,978	132,872	139,630
Financial liabilities at fair value through profit and loss	0	0	0	0	0	0
Other borrowing (Finance lease)	0	0	0	0	0	0
Total borrowings	128,941	122,652	3,931	16,978	132,872	139,630
Investments						
Loans and receivables	13,411	8,411	25,490	37,302	38,901	45,713

Available-for-sale financial assets	0	0	0	0	0	0
Fair value through profit and loss	0	0	0	0	0	0
Unquoted equity investment at cost	10,214	10,214	0	0	10,214	10,214
Total investments	23,625	18,625	25,490	37,302	49,115	55,927

NOTES.

1. The unquoted equity comprises shares in Manchester Airport valued at cost.
2. Loans and Receivables include the Airport loan conversion valued at cost of £8.411m.

The above long term figures are based on the Code of Practice 2010 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 Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

TABLE 2 – FINANCIAL INSTRUMENTS GAINS/LOSSES

2010/2011	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	(6,446)	0	0	0	(6,446)
Losses on derecognition	0	0	0	0	0
Impairment losses	0	0	0	0	0
Interest payable and similar charges	(6,446)	0	0	0	(6,446)
Interest income	0	1,619	0	0	1,619
Gains on derecognition	0	0	0	0	0
Interest and investment income	0	1,619	0	0	1,619
Gains on revaluation	0	0	0	0	0
Losses on revaluation	0	0	0	0	0
Amounts recycled to the Comprehensive I&E Statement 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	(6,446)	1,619	0	0	(4,827)

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.
- 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 2010		31st March 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
LOBO Loans	39,697	48,995	34,609	41,756
PWLB Loans	93,172	101,521	100,005	101,937
Temporary Loans	0	0	5,013	5,012
Local Bonds	3	3	3	3
Financial liabilities	132,872	150,519	139,630	148,708

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 2010		31st March 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Call Investments	10,660	10,659	6,887	6,887
Fixed Investments	14,826	14,891	25,410	25,456
Term Deposit	5,004	5,035	5,005	5,007
Manchester Airport Loan	8,411	8,411	8,411	8,411
Financial assets	38,901	38,996	45,713	45,761

The fair value is **higher/lower** than the carrying amount because the Council's 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.

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 **£35m** 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 2011	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2011	Estimated maximum exposure to default and uncollectability
	£000s	%	%	£000s
Deposits with banks and other financial institutions	37,302	0.00%	0.00%	0
Bonds and other securities	0	0.00%	0.00%	0
Sundry Debtors	32,256	0.50%	0.50%	161
Total	69,558			161

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 £32.256m a main risk of losses relates to system debtors of £9.934m. The Council does not generally allow credit for customers, such that **£9.614m** of the **£9.934m** 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 2011
	£000s
Less than three months	6,260
Three to four months	201
Four months to one year	934
More than one year	2,219
Total	9,614

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 2010	Loans outstanding	On 31 March 2011
£000s		£000s
91,887	Public Works Loans Board	98,753
39,000	LOBO Loans	34,000

0	Market Debt	5,000
3	Local bonds	3
130,890	Total	137,756
2,234	Less than 1 year	15,388
10,388	Between 1 and 2 years	7,928
22,758	Between 2 and 5 years	24,683
12,758	Between 5 and 10 years	12,005
82,752	More than 10 years	77,752
130,890	Total	137,756

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 Comprehensive Income and Expenditure Statement.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Comprehensive Income and Expenditure Statement.
- 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 Comprehensive Income and Expenditure Statement.
- 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 2011, 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	119
Increase in interest receivable on variable rate investments	(313)
Increase in government grant receivable for financing costs	(195)
Impact on Comprehensive Income and Expenditure Statement	(389)
Share of overall impact credited to the HRA	16
Decrease in fair value of 'available for sale' investment assets	0
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate investment assets (no impact on Comprehensive Income and Expenditure Statement)	75
Decrease in fair value of fixed rate borrowing liabilities (no impact on Comprehensive Income and Expenditure Statement)	18,747

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.

48. RECONCILIATION OF CASHFLOW TO COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

<u>2009/2010</u>	<u>2010/11</u>	
<u>Restated</u>	<u>£000's</u>	<u>£000's</u>
<u>£000's</u>		
16,502 (SURPLUS) / DEFICIT FOR THE YEAR ON PROVISION OF SERVICES		(3,817)
Non Cash Movements in I & E Statement:		
(31,576) Provision for Depreciation & Impairment of Fixed Assets	(81,016)	
(3,170) Other Provisions	2,499	
5,106 Minimum Revenue Provision	5,390	
(14,074) Contributions from / (to) Revenue Reserves	(9,819)	
12,206 Other General Fund Items	71,929	
2,267 Other non-cash Movements	532	
(29,421)		(10,485)
Movements in Current Assets and Liabilities:		
113 Increase / (Decrease) in Stock	33	
5,675 Increase / (Decrease) in Revenue Debtors	(741)	
7,877 (Increase) / Decrease in Revenue Creditors &	2,011	

Advance Receipts			
13,665			1,303
Items shown elsewhere in the Cash Flow Statement:			
(4,416) Interest Paid		(4,501)	
2,379 Interest Received		2,975	
1,000 Dividend Income		1,000	
(1,037)			(526)
(111) NET CASH INFLOW FROM REVENUE ACTIVITIES			(13,525)

49. 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>2010</u>	<u>Receipts</u>	<u>Payments</u>	<u>Movements</u>	<u>2011</u>
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Cash Overdrawn	(5,397)	34,487	(32,979)	0	(3,889)
Cash & Cash Equivalents	12,280	(3,961)	0	0	8,319
Debt Due Beyond One Year	(130,594)	(9,100)	7,234	8,428	(124,032)
Debt Due Within One Year	(2,278)	(26,000)	21,000	(8,319)	(15,597)
Long Term Debtors	9,877	85	0	0	9,962
Current Asset Investments	14,907	15,508	0	0	30,415
TOTALS	(101,205)	11,019	(4,745)	109	(94,822)

50. RECONCILIATION OF NET DEBT

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

<u>2009/2010</u>	<u>2010/2011</u>
<u>Restated</u>	
<u>£000's</u>	<u>£000's</u>
5,016 (Increase)/ Decrease in Cash Overdrawn in the Year to 31 st March	(2,453)
(8,629) (Increase)/Decrease in Debt	(6,672)
(11,584) Increase/(Decrease) in Investments	15,508
(15,197) Change in Net Debt	6,383
(86,008) Net Debt at 1 st April	(101,205)
(101,205) Net Debt at 31 st March	(94,822)
(15,197) Movement in Net Debt	6,383

51. ANALYSIS OF GOVERNMENT GRANTS

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

<u>2009/2010</u> <u>£000's</u>	<u>2010/2011</u> <u>£000's</u>
27,439 Housing Benefits	31,256
13,230 Council Tax Benefits	14,277
3,198 Children's Social Care	1,369
136,599 Education Grants	148,330
5,325 Adult Care Services	5,131
22 Probation	21
9 SRB/ERDF	25
6,360 Supporting People	5,989
3,942 Other Grants	4,060
<u>196,124</u> TOTAL	<u>210,458</u>

52. 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>2010</u> <u>£000's</u>	<u>31st March</u> <u>2011</u> <u>£000's</u>	<u>Movement</u> <u>£000's</u>
Bank Overdraft	(5,397)	(3,889)	(1,508)
Cash and Cash Equivalents	12,280	8,319	3,961
TOTALS	6,883	4,430	2,453

HOUSING REVENUE ACCOUNT

HOUSING REVENUE ACCOUNT
INCOME AND EXPENDITURE STATEMENT

This statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

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

<u>2009/2010</u> <u>£000's</u>		<u>2010/2011</u> <u>£000's</u>	Note
	<u>Income</u>		
25,111	Dwelling Rents (gross)	25,462	1,2,9
222	Non-Dwelling Rents	222	
850	Charges for Services and Facilities	830	
135	Contributions towards expenditure	139	
<u>26,318</u>	Total Income	<u>26,653</u>	
	<u>Expenditure</u>		
6,993	Repairs and Maintenance	6,818	
8,227	Supervision and Management	8,232	
70	Rents, Rates, taxes & other charges	50	
4,492	Negative Housing Revenue Account subsidy payable	4,844	8
15,940	Depreciation and Impairment of fixed assets	60,450	5,6
15	Debt management costs	16	
34	Increased Provision for Bad & Doubtful Debts	29	10
<u>35,771</u>	Total Expenditure	<u>80,439</u>	
<u>9,453</u>	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	<u>53,786</u>	
11	HRA services share of Corporate and Democratic Core	11	
<u>9,464</u>	Net Cost of HRA Services	<u>53,797</u>	
	HRA Share of Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:		
1,756	Interest payable and other similar charges	1,733	

(30) Interest and investment income	(23)
11,190 (Surplus) or Deficit for the year on HRA Services	55,507

Movement on the HRA Statement

<u>2009/2010</u> <u>£000's</u>		<u>2010/2011</u> <u>£000's</u>
(922)	Balance on the HRA at the end of the previous year	(781)
11,190	(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement	55,507
(11,011)	Adjustments between accounting basis and funding basis under regulations	(55,375)
179	Net increase or (decrease) before transfers to or from reserves	132
(38)	Transfers (to) or from reserves	(39)
141	(Increase) or decrease in year on the HRA	93
(781)	Balance on the HRA at the end of the current year	(688)

Note to the Movement on the HRA Statement

<u>2009/2010</u> <u>£000's</u>		<u>2010/2011</u> <u>£000's</u>	<u>Note</u>
	Adjustments between accounting basis and funding basis under regulations		
(59)	Difference between amounts charged to the Income and Expenditure Statement for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	(59)	
(10,985)	Reversal of impairment losses	(55,504)	
33	Capital expenditure funded by the HRA	188	
(11,011)		(55,375)	
(38)	Transfer from Major Repairs Reserve	(39)	3
(38)		(39)	

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>2009/2010</u>		<u>2010/2011</u>
	Flats and Maisonettes	
2,310	1 Bedroom	2,310
830	2 Bedrooms	829
60	3 Bedrooms	60
226	Bedsitters	226
	Houses & Bungalows	
808	1 Bedroom	807
1,857	2 Bedrooms	1,851
2,217	3 Bedrooms or more	2,207
8,308	TOTAL	8,290

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 **£1,116 million**. This figure represents an increase in the region of 279% compared to the 2009/10 figure of £0.399million. 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>2009/2010</u>		<u>2010/2011</u>
<u>£000's</u>	Total Balance Sheet value as at 1 st April 2010	<u>£000's</u>
291,565	Dwellings	271,616
1,432	Shops, Offices and Garage Colonies	1,449
292,997	Total Operational Assets	273,065
7,563	Additions	5,965
55	Certificated Revaluation – Shops and Offices	60
(22,228)	Housing Stock Revaluations	(45,916)
(4,954)	Depreciation	(4,945)
0	Impairments	(5,965)
(368)	Sale of Council Houses	(807)
0	Sale of other Council Housing assets	0
273,065	Balance Sheet Value as at 31st March 2011	221,457
271,616	Dwellings	220,000
1,449	Shops, Offices and Garage Colonies	1,457
273,065	Total Operational Assets	221,457

2. VACANT POSSESSION

- (i) The Vacant Possession Value (VPV) of dwellings within the Council's HRA as at 1st April 2010 was £644.9million representing an approximate increase of 11.8% over the 1st April 2009 figure of £576.8million. 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 35% has been adopted in line with the recommendations made by Communities and Local Government from April 2010 for the North West and Merseyside Region.

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>2009/2010</u>	<u>£000's</u> <u>2010/2011</u>
973 Balance as at 1st April 2010	891
4,954 Transferred to MRR during the year	4,945
0 Credit in respect of General Fund depreciation	0
(38) Transferred from MRR to HRA during the year	(39)
(4,998) Debits in respect of capital expenditure within HRA	(5,777)
<hr/>	<hr/>
891 Balance as at 31st March 2011	20

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>2009/2010</u>	<u>£000's</u> <u>2010/2011</u>
7,563 Total Capital expenditure within the HRA	5,965
Financed By:	
2,530 ALMO borrowing	0
0 Usable Capital Receipts	0
35 Revenue Contributions	187
4,998 Major Repairs Reserve	5,778
7,563 Total	5,965

5. DEPRECIATION

Authorities are required to charge depreciation on all HRA properties calculated in accordance with proper practices, including non-dwelling properties. In 2010/11, the total charge for depreciation for council houses was £4,906,143 (£4,916,058 in 2009/10) and for other property was £39,031 (£38,034 in 2009/10). 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 £5.965 million 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.

The new adjustment factor for the North West and Merseyside of 35%, as advised by DCLG in their "Stock Valuation for Resource Accounting – Guidance to Valuers" (Published Jan 2011) was used to arrive at the Existing Use Value – Social Housing (EUV-SH). This has resulted in a reduction of 13% on the valuation of the Vacant Possession Value of Council Housing dwellings from the previous adjustment factor used of 48% to establish the Balance Sheet value. Impairment charges to reflect this and show a downward revaluation of the Council Housing Stock by £49.5m for the year were applied to the Account.

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 2010/2011

<u>£000's</u> <u>2009/2010</u>		<u>£000's</u>	<u>£000's</u> <u>2010/2011</u>
4,296	Management Allowance	4,528	
8,114	Maintenance Allowance	8,303	
4,916	Major Repairs Allowance	4,906	
17,326			17,737
2,501	Charges for Capital	2,448	
0	Admissible Allowance	0	
0	Rent Rebates	0	
0	Other items of reckonable expenditure	0	
0	Rental Constraint Allowance	0	
2,501			2,448
(24,311)	Guideline Rent Income	(25,111)	
(8)	Interest on Receipts	(4)	
(24,319)			(25,115)

(4,492) Subsidy Receivable / (Payable) to DCLG	(4,930)
_____ 0 Prior Year Adjustments	_____ 0
(4,492) Total Subsidy Receivable / (Payable) to DCLG	(4,930)

9. RENT ARREARS

The rent arrears as at 1 April, 2010 totalled £958,703 and at 31 March, 2011 they totalled £846,068. 53.53% of the arrears at 31 March 2011 related to current tenants (51.22% at 31st March 2010) and 46.47% related to former tenants (48.78% at 31st March 2010). 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>2009/2010</u>	<u>£000's</u> <u>2010/2011</u>	<u>£000's</u> <u>2010/2011</u>
1,026 Opening Bad Debt Provision		708
34 Charged to HRA	29	
(411) Written off	(231)	
59 Reinstated previously written off amount	40	
_____ (318) Net decrease		_____ (162)
_____ 708 Closing Bad Debt Provision		_____ 546

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>2009/2010</u>		<u>2010/2011</u>	<u>Note</u>
<u>£000's</u>		<u>£000's</u>	
	<u>INCOME</u>		
(70,616)	Income from Council Tax Payers	(73,052)	1
0	Community Charge Payers	0	
	Transfers from General Fund		
(13,246)	Council Tax Benefit	(14,282)	
(0)	Other Income	(0)	
<u>(43,339)</u>	Income from NNDR payers	<u>(43,458)</u>	2
<u>(127,201)</u>	TOTAL INCOME	<u>(130,792)</u>	
	<u>EXPENDITURE</u>		
84,040	Precepts on the Collection Fund	87,240	3
	NNDR		
43,105	Payments to National Pool	43,228	
234	Cost of Collection	230	
0	Interest Payable net of refunds	2	
	Bad and Doubtful Debts		
158	Increased/(Reduced) Provision	277	
	Transfer of Previous Year's Estimated Surplus / (Deficit)		
(42)	To General Fund	0	
(6)	To Major Preceptors	0	
<u>127,489</u>	TOTAL EXPENDITURE	<u>130,977</u>	
	288 FUND DEFICIT/ (SURPLUS) FOR THE YEAR	185	
	0 PRIOR YEAR ADJUSTMENT	0	
<u>(79)</u>	BALANCE BROUGHT FORWARD	<u>209</u>	
<u>209</u>	BALANCE CARRIED FORWARD	<u>394</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	24,408	6/9	16,268
B	£40,000 to £52,000	15,793	7/9	12,283
C	£52,000 to £68,000	15,437	8/9	13,722
D	£68,000 to £88,000	8,123	1	8,123
E	£88,000 to £120,000	4,893	11/9	5,980
F	£120,000 to £160,000	1,707	13/9	2,466
G	£160,000 to £320,000	1,195	15/9	1,992
H	More than £320,000	138	18/9	276
		71,694		61,110
	Less allowance for losses on collection			(1,222)
	COUNCIL TAX BASE 2010/2011			59,888

- i) The actual number of properties was 81,058 but after adjusting for single person discounts, empty properties etc, the notional number of dwellings is 71,694.
- ii) The Band D Council Tax levied for the year was **£1,456.73** (£1,404.08 in 2009/2010).

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 2010/2011 was **41.4p** in the pound (48.5p in 2009/2010) and at 31st March 2010 the estimated non-domestic rateable value of the Borough was **£131,620 million** (£105,032 million at 31st March 2010). In addition in 2010/11 the Small Business Rate was set at **40.7p** in the pound (48.1p for 2009/10). 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>2009/201</u> <u>0</u> <u>£000's</u>	<u>2010/201</u> <u>1</u> <u>£000's</u>
Bury MBC	72,935	75,443
Greater Manchester Police Authority	8,032	8,644
Greater Manchester Fire & Civil Defence Authority	3,073	3,153
TOTAL	84,040	87,240

GROUP ACCOUNTS

THE GROUP ACCOUNTS

1. Introduction

The Accounting Code of Practice requires that where an authority has material financial interests and a significant level of control over one or more entity, it should prepare Group Accounts. The group financial statements required include the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, Reconciliation of the Single Entity (Surplus) or Deficit on Provision of Services for the year to the Group Surplus, Balance Sheet and Cash Flow Statement; these are shown on the following pages. The aim of these statements is to give an overall picture of the authority's financial activities and the resources employed in carrying out those activities. There are no significant effects due to group consolidation.

2. Inclusion of Organisations within the Group Accounts

The authority has group relationships with two organisations over which it has substantial control and influence.

Six Town Housing has been included in the group accounts and details of the authority's shareholdings, degree of commitment to the organisation and other financial transaction details are given in the notes to the Group Statements on page 114.

Also included in the group accounts is Bury MBC Townside Fields Limited. The company was incorporated on the 14th October 2009 and is a wholly owned subsidiary of Bury Council.

3. Basis of Consolidation

Six Town Housing and Bury MBC Townside Fields Ltd have been identified as subsidiaries of Bury Council and as such their financial statements have been consolidated on a line by line basis to comply with FRS 2 - acquisition accounting.

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

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

Six Town Housing's financial year runs, the same as Bury Council, from 1 April 2010 to 31 March 2011, therefore no adjustments are required regarding the accounting year.

For Bury MBC Townside Fields Limited, the acquisition accounting basis for consolidation has been used because Bury Council has taken 100% control of the company.

4. Accounts

Six Town Housing's Statement of Accounts 2010/2011 are audited by Baker Tilly UK and are to be submitted to their Audit and Standards Committee, followed by the Board, and AGM meeting for approval.

Copies of Six Town Housing Ltd 2010/11 Statement of Accounts can be obtained from Six Town Housing Finance Department, 6, Knowsley Place, Angouleme Way, Bury BL9 0EL.

For Bury MBC Townside Fields Limited pre-audit accounts for the year ended 31st March 2011 have been used to prepare the group accounts. The company's auditors are Horsfield and Smith.

GROUP MOVEMENT IN RESERVES STATEMENT

	<u>General Fund Balance</u>	<u>Earmarked GF Reserves</u>	<u>Housing Revenue Account</u>	<u>Collection Fund Balance</u>	<u>Capital Receipts Unapplied</u>	<u>Major Repairs Reserve</u>	<u>Capital Grants Unapplied</u>	<u>Total Usable Reserves</u>	<u>Unusable Reserves</u>	<u>Total Group Reserves</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>	<u>£000's</u>
Balance at 1 st April 2009	13,346	8,453	922	78	(40)	973	983	24,715	479,509	504,224
<u>Movement in reserves during 2009/10</u>										
Surplus / (deficit) on the provision of services	(16,502)	416	0	0	0	0	0	(16,086)	0	(16,086)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(186,782)	(186,782)
Total Comprehensive Income and Expenditure	(16,502)	416	0	0	0	0	0	(16,086)	(186,782)	(202,868)
Adjustments between accounting basis & funding basis under regulations	17,576	0	(141)	0	347	(82)	(70)	17,630	(17,630)	0
Net increase / decrease before transfers to earmarked reserves	1074	416	(141)	0	347	(82)	(70)	1,544	(204,412)	(202,868)
Transfers to / from ear-marked reserves	(4,495)	13,647	0	(288)	0	0	0	8,864	(8,864)	0
Increase / decrease (movement) in 2009/10	(3,421)	14,063	(141)	(288)	347	(82)	(70)	10,408	(213,276)	(202,868)
Balance at 31 March 2010 carried forward	9,925	22,516	781	(210)	307	891	913	35,123	266,233	301,356

	<u>General Fund Balance</u>	<u>Earmarked GF Reserves</u>	<u>Housing Revenue Account</u>	<u>Collection Fund Balance</u>	<u>Capital Receipts Unapplied</u>	<u>Major Repairs Reserve</u>	<u>Capital Grants Unapplied</u>	<u>Total Usable Reserves</u>	<u>Unusable Reserves</u>	<u>Total Authority Reserves</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>	<u>£000's</u>
Balance at 1 st April 2010	9,925	22,516	781	(210)	307	891	913	35,123	266,233	301,356
<u>Movement in reserves during 2010/11</u>										
Surplus / (deficit) on the provision of services	3,817	2,333	0	0	0	0	0	6,150	0	6,150
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	119,539	119,539
Total Comprehensive Income and Expenditure	3,817	2,333	0	0	0	0	0	6,150	119,539	125,689
Adjustments between Group accounts and Authority accounts	0	1,644	0	0	0	0	0	1,644	0	1,644
Net increase / decrease before transfers	3,817	3,977	0	0	0	0	0	7,794	119,539	127,333
Adjustments between accounting basis & funding basis under regulations	7,593	0	(93)	0	779	(871)	(291)	7,117	(7,117)	0
Net increase / decrease before transfers to earmarked reserves	11,410	3,977	(93)	0	779	(871)	(291)	14,911	112,422	127,333
Transfers to / from ear-marked reserves	(8,526)	14,821	0	(183)	0	0	0	6,112	(6,112)	0
Increase / decrease (movement) in 2010/11	2,884	18,798	(93)	(183)	779	(871)	(291)	21,023	106,310	127,333
Balance at 31 March 2011 carried forward	12,809	41,314	688	(393)	1,086	20	622	56,146	372,543	428,689

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

<u>2009/2010</u>			<u>2010/2011</u>			
<u>Gross Expenditure</u>	<u>Restated Gross Income</u>	<u>Net Expenditure</u>	<u>Gross Expenditure</u>	<u>Gross Income</u>	<u>Net Expenditure</u>	<u>Note</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>	
Continuing Services						
32,851	(28,810)	4,041	Central Services to the Public including Court Services	29,869	(29,892)	(23)
51,804	(21,001)	30,803	Cultural, Environmental, Regulatory & Planning Services	57,566	(19,647)	37,919
206,496	(166,259)	40,237	Children's & Education Services	222,531	(177,465)	45,066
28,890	(7,925)	20,965	Highways & Transport Services	25,734	(8,546)	17,188
8,799	(9,460)	(661)	Local Authority Housing (HRA)	55,944	(11,674)	44,270
51,857	(47,847)	4,010	Other Housing Services	58,861	(54,994)	3,867
76,552	(30,958)	45,594	Adult Social Care Services	77,534	(24,308)	53,226
5,141	7453	12,594	Corporate & Democratic Core	5,338	7,533	12,871
6,097	(36)	6,061	Non-Distributed Costs	4,869	(62,136)	(57,267)
680	(332)	348	Other Operating Inc & Exp.	1,403	(423)	980
469,167	(305,175)	163,992	Cost Of Services	539,649	(381,552)	158,097
Other Operating Expenditure						
212	(451)	(239)	(Gain)/Loss on Disposal of Non-Current Assets	31	(512)	(481)
27,610	(29,252)	(1,642)	(Surplus)/Deficits on Trading Operations	31,986	(32,551)	(565)
242	0	242	Contribution of Housing Capital Receipts to Government Pool	761	0	761
28,064	(29,703)	(1,639)		32,778	(33,063)	(285)
Financing and Investment Income and Expenditure						
6,468	0	6,468	Interest Payable & other Similar Charges	6,995	0	6,995
0	(2,401)	(2,401)	Interest and Investment Income	0	(2,999)	(2,999)
9,708	0	9,708	Pensions Interest Cost and Expected Return on Pensions Assets (IAS19)	6,812	0	6,812
(14)	0	(14)	Taxation of Group Entities	5	0	5
16,162	(2,401)	13,761		13,812	(2,999)	10,813
Taxation and Non-Specific Grant Income						
0	(72,761)	(72,761)	Demand On Collection Fund: Collection Fund Surplus	0	(75,297)	(75,297)
0	(21,266)	(21,266)	Council Tax Government Grants (not attributable to specific services)	0	(25,146)	(25,146)
0	(52,558)	(52,558)	Non-Domestic Rate distribution	0	(57,753)	(57,753)
0	(13,443)	(13,443)	Capital grants and contributions	0	(16,579)	(16,579)
0	(160,028)	(160,028)		0	(174,775)	(174,775)
(Surplus) or Deficit On Provision of Services						
513,393	(497,307)	16,086		586,239	(592,389)	(6,150)
Other Comprehensive Income and Expenditure						
		15,743	(Surplus) / Deficit on revaluation of property, plant and equipment			(1,972)
		103	(Surplus) / Deficit on revaluation of available for sale financial assets			103
		170,584	Actuarial (gains) / losses on pension assets and liabilities			(114,449)
		352	Any other (gains)/ losses for the year			(4,865)
		186,782	Other Comprehensive Income and Expenditure			(121,183)
		202,868	Total Comprehensive Income and Expenditure			(127,333)

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

2009/2010 Restated £000's		2010/2011 £000's
16,502	(Surplus) / deficit for the year on the Authority Comprehensive Income and Expenditure Statement	(3,817)
0	Adjustments for transactions with other group entities	0
16,502	Surplus / Deficit on provision of services in the Group Comprehensive Income and Expenditure Statement attributable to the Authority	(3,817)
(416)	(Surplus) / deficit on provision of services in the Group Comprehensive Income and Expenditure Statement attributable to group entities (adjusted for intra-group transactions):	(2,333)
	Subsidiaries	
	Associates	
	Joint Venture	
16,086	(Surplus) / Deficit on provision of services for the year on Group Comprehensive Income and Expenditure Statement	(6,150)

GROUP BALANCE SHEET AT 31ST MARCH 2011

1/4/2009 Restated £'000	31/3/2010 Restated £'000		31/3/2011 £'000	£'000	£'000	Note
		PROPERTY, PLANT & EQUIPMENT				
5,572	5,424	Intangible Fixed Assets	5,272	5,272		
1,149	1,149	Investment Property	1,136	1,136		
		<i>Tangible Fixed Assets</i>				
		Operational Assets:				
292,629	273,065	Council Dwellings	221,457			
354,867	359,963	Other Land & Buildings	357,057			
29,847	30,526	Infrastructure Assets	31,600		1	
4,133	4,150	Vehicles & Plant	3,652			
637	638	Community Assets	638			
48,136	42,861	Non-Operational Assets	42,890			
16,938	9,718	Assets under construction	18,652			
405	2,016	Surplus assets held for disposal	2,016			
754,313	729,510	TOTAL FIXED ASSETS	677,962	684,370		
		LONG TERM INVESTMENTS				
10,214	10,214	Manchester Airport PLC		10,214		
5,029	5,004	Royal Bank of Scotland		0		
15,243	15,218				10,214	
		LONG TERM DEBTORS				
0	0	Long term Debtors - General		130		

9,006	9,855	Loan Accounts	9,811	
24	22	Debt Managed for Probation Services	21	9,962
9,030	9,877			
CURRENT ASSETS				
1,090	1,250	Stocks & Work in Progress	1,283	
390	335	Assets Held for Sale	72	
30,695	32,483	Sundry Debtors & Advance Payments	31,946	
26,491	14,907	Short Term Investments	30,415	
6,829	17,118	Cash And Cash Equivalents	14,203	
65,495	66,093			77,919
LESS : CURRENT LIABILITIES				
(4,377)	(2,278)	Short Term Loans Outstanding	(15,597)	
(193)	(253)	Deposits & Clients' Funds	(221)	
(852)	(864)	Short Term Provisions	(1,427)	
(47,321)	(37,160)	Sundry Creditors & Advance Receipts	(33,696)	
(1,528)	(5,397)	Bank Accounts	(3,889)	
(54,271)	(45,952)			(54,830)
11,224	20,141	NET CURRENT ASSETS		23,089
789,810	774,746	TOTAL ASSETS LESS CURRENT LIABILITIES		727,635
LESS: LONG TERM LIABILITIES				
(119,018)	(130,594)	External Loans Outstanding	(124,032)	
(3,867)	(9,690)	Capital Grants Receipts in Advance	(14,097)	
(1,072)	(1,139)	Finance Lease Liabilities	(728)	
(8,058)	(8,686)	Deferred Liabilities	(8,181)	
(114,842)	(281,394)	Pension Liability	(113,083)	
(38,729)	(41,887)	Long Term Provisions	(38,825)	
(285,586)	(473,390)			(298,946)
504,224	301,356	TOTAL NET ASSETS		428,689
1/4/2009	31/3/2010		31/3/2011	
Restated	Restated			
£'000	£'000		£'000	£'000
				Note
FINANCED BY :				
USABLE RESERVES				
3,771	(14,564)	Earmarked Reserves	(21,686)	
40	(307)	Capital Receipts Unapplied	(1,086)	
(983)	(913)	Capital Grants Unapplied	(622)	
(13,346)	(9,925)	General Fund	(12,809)	
(922)	(781)	Housing Revenue Account	(688)	
(973)	(891)	Major Repairs Reserve	(20)	
(1,114)	(629)	Competitive Services / Commuted Sums	(1,589)	
(78)	210	Collection Fund Balance	393	
(11,110)	(7,323)	Other Balances	(18,039)	
(24,715)	(35,123)			(56,146)
UNUSABLE RESERVES				
(189,546)	(173,797)	Revaluation Reserve	(175,733)	
(408,497)	(389,201)	Capital Adjustment Account	(328,196)	
(431)	(328)	Financial Instruments	(225)	
(63)	68	Adjustment Reserve		
		Collection Fund Adjustment Account	214	
4,942	5,121	Accumulated Absences	4,014	
114,200	273,700	Pension Reserve	113,000	
0	18,288	Equal Pay Back Pay Reserve	14,446	
(114)	(84)	Deferred Capital Receipts	(63)	
(479,509)	(266,233)			(372,543)
(504,224)	(301,356)	TOTAL RESERVES AND BALANCES		(428,689)

GROUP CASH FLOW STATEMENT

<u>2009/10</u>	<u>2010/2011</u>			
<u>Restated</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>OPERATING ACTIVITIES</u>				
Cash Outflows:				
192,667	Cash Paid to and on behalf of Employees	195,464		
219,210	Cash Paid for Goods and Services	278,707		
27,397	Housing Benefit paid out	31,213		
4,416	Interest Paid	4,501		
242	Payments to Housing Capital Receipts Pool	761		
1,925	Net Increase / (Decrease) in Council Tax Liquid Resources	1,570		
0	Six Town Housing	577		
0	Bury MBC Townside Fields	24		
445,857	Cash Outflows Generated from Operating Activities		512,817	
Cash Inflows:				
(24,889)	Rents (after Rebates)	(25,240)		
(61,436)	Council Tax Receipts (excl major preceptors share of receipts)	(62,825)		
0	VAT Receipts	(1,244)		
55	Corporation Tax	(14)		
(52,558)	NNDR Receipts from National Pool	(57,753)		
(12,131)	Revenue Support Grant	(8,386)		
(40,669)	DWP Grants for Benefits	(45,533)		
0	Government Grant (Six Town Housing)	(1,450)		
(155,455)	Other Government Grants	(164,925)		
(2,400)	Interest Received	(2,999)		
(1,000)	Airport Dividend Received	(1,000)		
(543)	Six Town Housing	0		
(95,451)	Cash Received for Goods and Services	(157,139)		
(446,477)	Cash Inflows Generated from Operating Activities		(528,508)	
(620)	(INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES			(15,691)
<u>INVESTING ACTIVITIES</u>				
32,774	Purchase of Fixed Assets		21,623	
0	Capital Expenditure (Six Town Housing)		332	
1,395	Purchase of Long Term Investments		3,791	
(11,584)	Net Increase / (Decrease) in Short Term Deposits		15,508	
(655)	Proceeds of Sale of Fixed Assets		(1,584)	
(18,206)	Capital Grants received		(16,686)	
3,724	NET CASH FLOWS FROM INVESTING ACTIVITIES			22,984
<u>FINANCING ACTIVITIES</u>				
Repayments of amounts borrowed:				
3,876	Long Term loans repaid		7,234	
348	Short Term loans repaid		21,000	
847	Net Receipts from Long Term Debtors		85	
(13,700)	New Long Term Loans		(9,100)	
0	New Short Term Loans		(26,000)	
(8,629)	NET CASH FLOWS FROM FINANCING ACTIVITIES			(6,781)
(5,525)	NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS			512



S KENYON, C.P.F.A.
Assistant Director of Resources (Finance & Efficiency)
25 August 2011

Notes to the Group Statements

1. **Subsidiary Income and Expenditure**

The operating expenditure and income of Six Town Housing has been included within "Housing Services". The operating expenditure and income of Bury MBC Townside Fields Limited has been included within "Corporate and Democratic Services".

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

This is the same amount as that disclosed in the Comprehensive Income and Expenditure Account of Bury MBC.

3. **Goodwill**

No goodwill arose in respect of either subsidiaries.

5. **Plant, Property and Equipment**

Six Town Housing's fixed assets are included as tangible assets and are valued at historical cost, the same as the assets of Bury Council. The fixed assets of Bury MBC Townside Fields Limited are also valued at historic cost in line with Bury Council's policy.

6. **Six Town Housing - wholly owned subsidiary**

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

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

	Members	% of voting Rights
Bury Council	5	29.4
Tenant	7	41.2
Independent	5	29.4
		100

The related party transaction between Council Members on the board of Six Town Housing and Bury MBC are detailed in Bury MBC Statement of Accounts Note 12 (Page 65).

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

Financial Transactions and Operations: In 2010/2011 Six Town Housing made a net operating profit of £2.388m compared to a profit of £0.594m restated in 2009/2010. Bury MBC paid management fees of £13.154m in 2010/2011 (£13.494m in 2009/2010) to Six Town Housing for the management of its housing stock.

7. Bury MBC Townside Fields Limited – wholly owned subsidiary

Nature of Business: Bury MBC Townside Fields was formed to facilitate the development of Knowsley Place. The company's share capital (Ordinary Share Capital £1) is wholly owned by Bury Council.

Bury MBC Townside Fields Limited made a profit of £0.038m for the year ended 31st March 2011 compared to a loss of 0.105m for the period to 31st March 2010. As at 31st March 2011, Bury Council has invested £10.215m in Bury MBC Townside Fields Ltd.

8. Reconciliation of the (surplus) / deficit on provision of services in the Comprehensive Income and Expenditure Statement to the net cash (Inflow) / Outflow from Operating Activities .

<u>2009/2010</u>	GROUP RECONCILIATION OF REVENUE CASH FLOW	<u>2010/2011</u>	
<u>£000's</u>		<u>£000's</u>	<u>£000's</u>
16,502	DEFICIT FOR THE YEAR ON PROVISION OF SERVICES		(3,817)
(522)	Six Town Housing Surplus		(2,295)
105	Bury MBC Townside Fields Loss		(38)
	Non Cash Movements in Revenue Account:		
(31,576)	Provision for Depreciation	(81,018)	
(3,170)	Other Provisions	2,499	
5,106	Minimum Revenue Provision	5,390	
(14,074)	Contributions from / (to) Revenue Reserves	(9,819)	
16,915	Other non-cash Movements	70,948	
(27,799)			(12,000)
	Movements in Current Assets and Liabilities:		
160	Increase / (Decrease) in Stock	33	
1,788	Increase / (Decrease) in Revenue Debtors	7,618	
10,162	(Increase) / Decrease in Revenue Creditors & Advance Receipts	(4,690)	
12,110			2,961
	Items shown elsewhere in the Cash Flow Statement:		
(4,416)	Interest Paid	(4,501)	
2,400	Interest Received	2,999	
1,000	Dividend Income	1,000	
(1,016)			(502)
(620)	NET CASH INFLOW FROM REVENUE ACTIVITIES		(15,691)