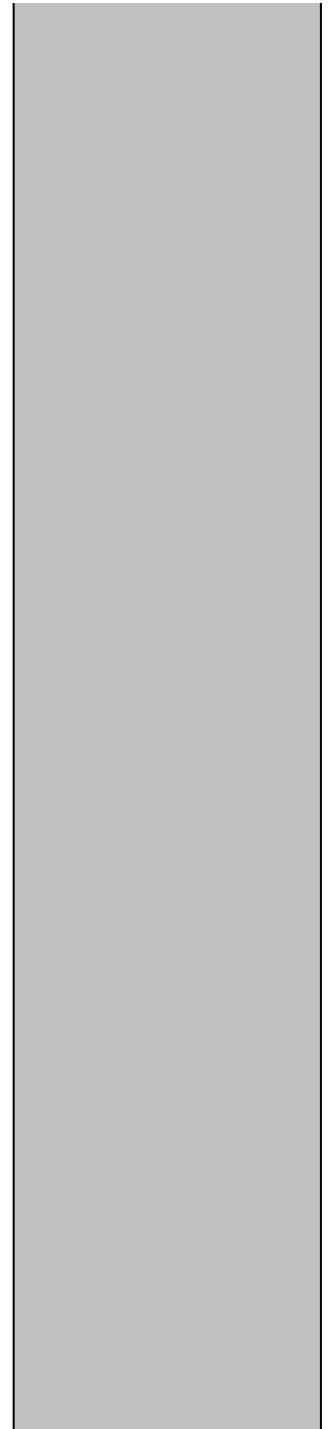


**STATEMENT  
OF  
ACCOUNTS  
2011/2012**



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## **Introduction by Councillor Tony Isherwood, Cabinet Member for Finance and Resources**

I am delighted to welcome you to the Council's Statement of Accounts for 2011/12.

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.

This is the second year that the accounts reflect the use of International Financial Reporting Standards (IFRS).

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.

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 almost £0.5 billion this is a very commendable performance. More than £26.5million 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 was reported in October 2010 together with the resulting grant reductions that will hit us during 2012/13 and beyond as a result of the 2012/13 Local Government Finance Settlement.

The Council has responded to these pressures by implementing The Plan for Change 2012/13 to 2014/15 which sets out Bury Council's way of meeting these challenges in an open and transparent way in partnership with our communities, staff and partners.

This will be achieved 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. Our Corporate Plan 2012-2015 sets a clear direction for the Council and outlines the strong progress and contribution the Council will make towards our vision of leading, shaping and maintaining a prosperous, sustainable Bury that is fit for the future in order to reduce poverty and its effects, support our most vulnerable residents, and make Bury a better place to live. 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=9882&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](http://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 2011/12 the budget for the year was overseen by Councillor John Smith, the Deputy Leader and Executive Member for Finance 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 black ink, appearing to be 'Tony Isherwood', written in a cursive style.

**Councillor Tony Isherwood**  
**Cabinet Member for Finance & Resources**

**APPROVAL OF THE STATEMENT OF ACCOUNTS**

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, 23 August, 2012.

Signed on behalf of Bury Metropolitan Borough Council:

Councillor Ann Audin  
Chair of Audit Committee  
23 August, 2012

=====

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 31<sup>st</sup> March 2012.

Signed on behalf of Bury Metropolitan Borough Council:



S Kenyon CPFA  
Assistant Director of Resources (Finance & Efficiency)  
23 August, 2012

# **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, that have no determinable useful life, and which may in addition have restrictions on their disposal e.g. parks, cemeteries and crematoria and allotments.

### **Infrastructure Assets**

Assets that are required in order to enable other developments to take place and where there is no prospect of sale or alternative use e.g. roads, footways, footpaths, bridges, tunnels and underpasses etc.

### **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.

### **Heritage Assets**

Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage assets can include historical buildings, archaeological sites, military and scientific equipment of historical importance, historic motor vehicles, civic regalia, orders and decorations (medals), museum and gallery collections and works of art.

## **BALANCE SHEET**

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

## **CAPITAL**

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

## **CAPITAL CHARGES**

Charges made to services for the use of **fixed assets**.

The charge in 2011/12 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.

## **CARBON REDUCTION COMMITMENT ENERGY EFFICIENCY SCHEME**

The Carbon Reduction Commitment Energy Efficiency Scheme is a carbon emissions trading scheme aimed at public and private sector organisations across the whole of the UK. It is administered by the Environment Agency on behalf of the Department for Energy & Climate Change (DECC) and its goal is to encourage reductions in energy consumption and carbon emissions. One of the ways it does this is by requiring organisations to buy and surrender CO2 emissions allowances. The first year councils are required to do this is 2011/12.



## **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 Council 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).

## **EXIT PACKAGES**

Payments that the Authority has agreed relating to redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.

## **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**

A person or entity that is related to the entity that is preparing its financial statements.

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
  - (i) Has control or joint control over the reporting entity;
  - (ii) Has significant influence over the reporting entity; or
  - (iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity
- (b) An entity is related to a reporting entity if any of the following conditions applies:
  - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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.

## **SERCOP**

The Service Reporting Code of Practice (SERCOP) is the new name for the Best Value Accounting Code of Practice which 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.

## **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 on sales

# **EXPLANATORY FOREWORD**

## **EXPLANATORY FOREWORD**

These Accounts have been prepared in accordance with the 2011/12 Code of Practice on Local Authority Accounting in the United Kingdom which has been issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and it is the second year that the accounts have been prepared using International Financial Reporting Standards (IFRS's).

IFRS's are accounting standards issued by the International Accounting Standards Board (IASB) and are embodied within the Code.

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 accounts have also been prepared in accordance with, and comply with, the Accounts and Audit (England) Regulations 2011 (which replaced the 2003 Regulations) and the Service Reporting Code of Practice 2011/12.

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.

All the statements and notes give details of the Authority's income and expenditure for the financial year, which ran from **1<sup>st</sup> April 2011** to **31<sup>st</sup> March 2012** along with details of the assets and liabilities of the Council at **31<sup>st</sup> March 2012**. Wherever it is relevant the corresponding figures for the last financial year, 2010/2011, are also shown for comparison.

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 non-usable 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 Service Reporting Code of Practice (SERCOP) 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 and summarises the inflows and outflows of cash arising from revenue and capital transactions with the outside world. 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.

## **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 and business rate payers and from Council Tax 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 the Revenue Support Grant.

**THE GROUP ACCOUNTS**

show the Group Movement in Reserves Statement, 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 2011, by **£1.299m**. This is largely accounted for by planned underspends and carry-forwards in accordance with the Council Policy and for Schools through statute.

At 31<sup>st</sup> March 2012 the borough's schools had accumulated a total underspending against their budget of **£7.805m**. 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 2012/2013 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 2012/2013 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 Cabinet on 11 July, 2012.

The revenue outturn report will also be submitted to the Overview & Scrutiny Committee on 28 August, 2012. This report is available to members of the public and may be obtained from the Head of Financial Management at Bury Town Hall or by telephoning 0161-253 5034.

Revenue expenditure during 2011/2012 was: -

	<u>Revised Estimate £000's</u>	<u>Actual £000's</u>	<u>Difference £000's</u>
Net cost of Bury services	144,548	143,249	(1,299)
Precepts :- Police	8,649	8,649	0
Fire	3,155	3,155	0
	156,352	155,053	(1,299)
<b>TOTAL NET EXPENDITURE</b>			
Financed from:-			
Revenue Support Grant	(16,012)	(16,012)	0
Business Rates Pool	(51,801)	(51,801)	0
Council Tax	(89,166)	(89,166)	0
<b>( SURPLUS ) / DEFICIT</b>	<b>(627)</b>	<b>(1,926)</b>	<b>(1,299)</b>

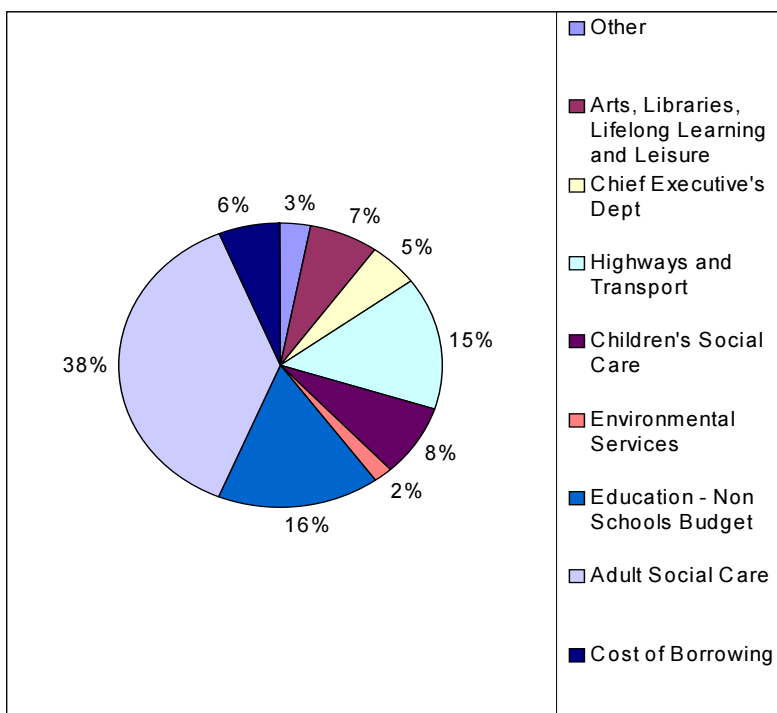
The **£0.627 million** surplus shown at Revised Estimate relates to contributions to general fund balances.

The Corporate Revenue Outturn Report which was considered by the Cabinet on 11 July, 2012 details the overall performance of the Council in 2011/2012.

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

<b>Service Area</b>	<b>£000's</b>
Environment and Development Services	(261)
Adult Care Services	(72)
Cost of Borrowing	(1,162)
Housing	39
Education – Non Schools Budget	(728)
Children's Social Care	767
Chief Executive's Dept.	161
Other Variances	(43)
<b>Total</b>	<b>(1,299)</b>

The Council spent £143.249m (excluding precepts) in 2011/2012 as follows:



	£M
Education – Non Budget Schools	22.481
Adult Social Care	55.373
Children's Social Care	10.881
Arts, Libraries, Adult Learning and Leisure	9.521
Environmental Services	2.316
Highways & Transport	21.934
Chief Executive's Dept	6.963
Cost of Borrowing	9.103
Other	4.677
<b>Total</b>	<b>143.249</b>

## **CAPITAL OUTTURN**

Total Capital Expenditure achieved in the year was **£26.574** million.

In addition to the figures shown for the year, Bury's Voluntary Aided schools received **£1.371m** 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 81).

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

<b><u>SERVICE</u></b>	<b><u>PROJECT</u></b>	<b><u>£000's</u></b>	<b><u>£000's</u></b>
<b>Chief Executive's</b>	Corporate ICT Projects	40	
	Dilapidation Costs	139	

	Townside Relocation	10	
	Cost of Property Sales and Purchases	394	
	Invest to Save – Humphrey House	29	<b>612</b>
<b>Adult Care Services</b>	Older People Services	12	
	Learning Disabilities	63	
	Mental Health	8	
	Improving Information Management	22	
	Empty Properties	166	
	Financial Assistance	115	
	Disabled Facilities Grant	567	
	Disabled Facilities Adaptations	356	
	Equal Pay / Back Pay Capitalisation	39	<b>1,348</b>
<b>Children's Services</b>	Support Services	236	
	Devolved Formula Capital	1,169	
	Modernisation / New Pupil Places	1,211	
	Access Initiatives	101	
	Targeted Capital Funding	2,602	
	Additional Sports Hall – Philips High	11	
	Schools – Specialist Status	3	
	Children Centres	69	
	Extended Schools	121	
	Harnessing Technology	144	
	Primary Capital Programme	5,099	
	Playbuilder	46	
	Short Break Allocation	24	
	Equal Pay / Back Pay Capitalisation	12	<b>10,848</b>
<b>Arts, Libraries &amp; Adult Learning</b>	Ramsbottom Library Extension	3	
	Big Lottery Fund – Community Libraries	58	<b>61</b>
<b>Planning Services</b>	Development Group Schemes	190	
	East Lancashire Railway Trust	9	
	Environmental Projects	985	<b>1,184</b>
<b>Leisure Services</b>	Parks and Countryside	174	
	Play Areas	38	
	Leisure Facilities	1,901	<b>2,113</b>
<b>Highways and Transportation</b>	Highways Network Services	1,426	
	Bridge Repairs and Maintenance	566	
	Walking Strategy	15	
	Other Transportation & Parking Schemes	29	
	Traffic Management & Road Safety Schemes	10	<b>2,046</b>
<b>Environmental Works</b>	Contaminated Land	24	
	Air Quality	10	
	Energy Efficiency Schemes	1	<b>35</b>

<b>Operational Services</b>	Fernhill to Bradley Fold Relocation	10	<b>10</b>
<b>Other Services</b>	Waste Management Schemes	1,814	
	Refurbishment Backlog	193	
	Equal Pay / Back Pay Capitalisation	5	<b>2,012</b>
<b>Housing Private Sector</b>	Pimhole – Property Improvements	1,281	
	Pimhole - Clearance	8	<b>1,289</b>
<b>Housing Public Sector</b>	Asbestos Removal	3	
	Environment/Security Work	135	
	Energy Efficiency	398	
	Modernisations	2,199	
	Roofing Schemes	1,627	
	Miscellaneous Housing Schemes	654	<b>5,016</b>
<b>TOTAL</b>		<b>26,574</b>	<b>26,574</b>

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:

<b><u>Expenditure:</u></b>	<b><u>£000's</u></b>	<b><u>£000's</u></b>
Fixed assets	24,127	
Intangible assets	255	
Vehicle, Plant and Equipment	2,192	
<b>Total</b>		<b>26,574</b>
<b><u>Financed by:</u></b>	<b><u>£000's</u></b>	<b><u>£000's</u></b>
Loan	4,484	
Capital Receipts	831	
Grants & Contributions	15,724	
General Fund Revenue and Reserves	388	
Housing Revenue Account	184	
Major Repair Allowance	4,963	
<b>Total</b>		<b>26,574</b>

## **BORROWING OUTTURN**

During 2011/2012 £78.253m of new PWLB loans were taken out to fund the Housing Self Financing settlement to Central Government. In line with the treasury management strategy, temporary loans were used where appropriate to fund capital investment.

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

	<b>Balance at 2010/11 £000s</b>	<b>Loans Raised £000s</b>	<b>Loans Repaid £000s</b>	<b>Balance 2011/12 £000s</b>
PWLB	93,109	78,253	(10,000)	161,362
PWLB (Airport)	5,644	0	(388)	5,256
Market	34,000	5,000	0	39,000
Temporary Loans	5,000	21,300	(26,300)	0
Other Loans	3	0	0	3
<b>Total Debt</b>	<b><u>137,756</u></b>	<b><u>104,553</u></b>	<b><u>(36,688)</u></b>	<b><u>205,621</u></b>

## **HOUSING**

The Housing Revenue Account (HRA) on page 109 produced a deficit of **£0.077 million** during the year. This was against an estimated surplus for the year of £0.048 million.

## **COLLECTION FUND**

The information shown on page 115 demonstrates that at 31<sup>st</sup> March 2012 there was a deficit balance on the Collection Fund of **£0.972 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 (England) Regulations 2011 commencing 25 June 2012 and the External Auditor was available for questioning on or after 23 July 2012. This facility was advertised in the local press and on the Bury Council website.



**S KENYON, CPFA**  
**Assistant Director of Resources (Finance & Efficiency)**  
**23 August 2012**

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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 31<sup>st</sup> March 2012.

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 26.



**S. KENYON CPFA**  
**Assistant Director of Resources (Finance & Efficiency)**  
**23 August, 2012**

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

**Conclusion on Bury Metropolitan Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

To be inserted upon conclusion of the audit.

# **CORE FINANCIAL STATEMENTS**

## MOVEMENT IN RESERVES STATEMENT

2010/11	<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 <sup>st</sup> April 2010	9,925	28,533	781	(210)	307	891	913	41,140	289,909	331,049
<b><u>Movement in reserves during 2010/11</u></b>										
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	113,286	113,286
Total Comprehensive Income and Expenditure	3,817	0	0	0	0	0	0	3,817	113,286	117,103
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	106,169	117,103
Transfers to / from ear-marked reserves	(8,526)	8,568	0	(183)	0	0	0	(141)	141	0
Increase / (decrease) movement in 2010/11	2,884	8,568	(93)	(183)	779	(871)	(291)	10,793	106,310	117,103
Balance at 31 March 2011 carried forward	12,809	37,101	688	(393)	1,086	20	622	51,933	396,219	448,152
<b><u>2011/12</u></b>										
2011/12	<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 <sup>st</sup> April 2011	12,809	37,101	688	(393)	1,086	20	622	51,933	396,219	448,152
<b><u>Movement in reserves during 2011/12</u></b>										
Surplus / (deficit) on the provision of services	8,029	0	0	0	0	0	0	8,029	0	8,029
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(151,216)	(151,216)
Total Comprehensive Income and Expenditure	8,029	0	0	0	0	0	0	8,029	(151,216)	(143,187)
Adjustments between accounting basis & funding	1,092	0	77	0	631	(2)	4,722	6,520	(6,520)	0

basis under regulations

Net increase / (decrease) before transfers to earmarked reserves	9,121	0	77	0	631	(2)	4,722	14,549	(157,736)	(143,187)
Transfers to / from ear-marked reserves	(3,895)	1,689	0	(579)	1	0	0	(2,784)	2,784	0
Increase / (decrease) movement in 2011/12	<b>5,226</b>	<b>1,689</b>	<b>77</b>	<b>(579)</b>	<b>632</b>	<b>(2)</b>	<b>4,722</b>	<b>11,765</b>	<b>(154,952)</b>	<b>(143,187)</b>
Balance at 31 March 2012 carried forward	18,035	38,790	765	(972)	1,718	18	5,344	63,698	241,267	304,965

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

<u>2010/2011</u> <u>amended</u>			<u>2011/2012</u>			
<u>Gross</u> <u>Expenditure</u>	<u>Gross</u> <u>Income</u>	<u>Net</u> <u>Expenditure</u>	<u>Gross</u> <u>Expenditure</u>	<u>Gross</u> <u>Income</u>	<u>Net</u> <u>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>	
<b>Continuing Services</b>						
29,512	(29,880)	(368)	Central Services to the Public including Court Services	32,660	(29,786)	2,874
24,270	(10,257)	14,013	Cultural & Related Services	21,707	(10,666)	11,041
25,421	(4,018)	21,403	Environment & Regulatory Services	23,822	(4,329)	19,493
3,542	(1,285)	2,257	Planning Services	3,150	(1,330)	1,820
227,499	(181,564)	45,935	Children's & Education Services	204,348	(173,704)	30,644
25,734	(8,546)	17,188	Highways & Transport Services	28,338	(6,327)	22,011
80,724	(26,938)	53,786	Local Authority Housing (HRA)	37,626	(28,184)	9,442
0	0	0	Local Authority Housing - settlement payment to Government for HRA self financing	78,253	0	78,253
58,861	(52,785)	6,076	Other Housing Services	63,249	(58,210)	5,039
77,578	(24,326)	53,252	Adult Social Care Services	79,973	(31,205)	48,768
5,508	(195)	5,313	Corporate & Democratic Core	3,932	(60)	3,872
4,869	(62,136)	(57,267)	Non-Distributed Costs	2,803	(262)	2,541
1,403	(423)	980	Other Operating Inc & Exp.	309	(426)	(117)
<b>564,921</b>	<b>(402,353)</b>	<b>162,568</b>	<b>Cost Of Services</b>	<b>580,170</b>	<b>(344,489)</b>	<b>235,681</b>
<b>Other Operating Expenditure</b>						
31	(512)	(481)	(Gain)/Loss on Disposal of Non-Current Assets	0	(248)	(248)
32,081	(34,691)	(2,610)	(Surplus)/Deficits on Trading Operations	27,491	(30,318)	(2,827) <b>4</b>
761	0	761	Contribution of Housing Capital Receipts to Government Pool	439	0	439 <b>38</b>
<b>32,873</b>	<b>(35,203)</b>	<b>(2,330)</b>		<b>27,930</b>	<b>(30,566)</b>	<b>(2,636)</b>
<b>Financing and Investment Income and Expenditure</b>						
6,995	0	6,995	Interest Payable & other Similar Charges	6,479	0	6,479
0	(2,975)	(2,975)	Interest and Investment Income	0	(3,157)	(3,157) <b>5</b>
6,700	0	6,700	Pensions Interest Cost and Expected Return on Pensions Assets (IAS19)	1,300	0	1,300 <b>8</b>
<b>13,695</b>	<b>(2,975)</b>	<b>10,720</b>		<b>7,779</b>	<b>(3,157)</b>	<b>4,622</b>
<b>Taxation and Non-Specific Grant Income</b>						
0	(75,297)	(75,297)	Demand On Collection Fund: Council Tax	0	(77,362)	(77,362)
0	(25,146)	(25,146)	Government Grants (not attributable to specific services)	0	(17,162)	(17,162)
0	(57,753)	(57,753)	Non-Domestic Rate distribution	0	(51,801)	(51,801)
0	0	0	HRA Self Financing Settlement	0	(78,253)	(78,253)
0	(16,579)	(16,579)	Capital grants and contributions	0	(21,118)	(21,118)
<b>0</b>	<b>(174,775)</b>	<b>(174,775)</b>		<b>0</b>	<b>(245,696)</b>	<b>(245,696)</b>
<b>611,489</b>	<b>(615,306)</b>	<b>(3,817)</b>	<b>(Surplus) or Deficit On Provision of Services</b>	<b>615,879</b>	<b>(623,908)</b>	<b>(8,029)</b>
<b>Other Comprehensive Income and Expenditure</b>						
		(1,972)	(Surplus) / Deficit on revaluation of property, plant and equipment			6,054
		0	Impairment Losses on Non-Current assets charged to the Revaluation Reserve			266
		103	(Surplus) / Deficit on revaluation of available for sale financial assets			80
		(109,800)	Actuarial (gains) / losses on pension assets and liabilities			65,358
		0	Housing Revenue Expenditure funded from capital under statute			78,253
		(1,617)	Any other (gains)/ losses for the year			1,205
		<b>(113,286)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>151,216</b>
		<b>(117,103)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>143,187</b>

## BALANCE SHEET AT 31<sup>ST</sup> MARCH 2012

1/4/2010 <u>Amended</u> £'000	31/3/2011 <u>Amended</u> £'000		£'000	£'000	£'000	Note
		<u>31/3/2012</u>				
<b>PROPERTY, PLANT &amp; EQUIPMENT</b>						
<i>Tangible Fixed Assets</i>						
Operational Assets:						
273,065	221,457	Council Dwellings	205,044			
359,963	357,057	Other Land & Buildings	350,107			
30,526	31,600	Infrastructure Assets	29,830			
4,146	3,318	Vehicles & Plant	4,339			
554	554	Community Assets	554			
42,860	42,890	Non-Operational Assets	45,290			
8,593	10,074	Assets under construction	19,886			
2,016	2,016	Surplus assets held for disposal	405	<b>655,455</b>		<b>18</b>
5,424	5,272	Intangible Fixed Assets	4,620	<b>4,620</b>		<b>20</b>
1,149	1,136	Investment Property	1,249	<b>1,249</b>		<b>21</b>
23,760	23,760	Heritage Assets	23,760	<b>23,760</b>		<b>19</b>
<b>752,056</b>	<b>699,134</b>	<b>TOTAL FIXED ASSETS</b>		<b>685,084</b>	<b>685,084</b>	
<b>LONG TERM INVESTMENTS</b>						
10,214	10,214	Manchester Airport PLC		10,214		<b>27</b>
5,004	0	Royal Bank of Scotland		0		
1,420	10,215	Bury MBC Townside Fields Ltd		13,343	<b>23,557</b>	<b>27</b>
<b>16,638</b>	<b>20,429</b>					
<b>LONG TERM DEBTORS</b>						
0	130	Long term Debtors – General		297		
9,855	9,811	Loan Accounts		11,003		<b>28</b>
22	21	Debt Managed for Probation Services		20	<b>11,320</b>	<b>22</b>
<b>9,877</b>	<b>9,962</b>					
<b>CURRENT ASSETS</b>						
1,203	1,236	Stocks & Work in Progress	1,276			
335	72	Assets Held for Sale	2,299			<b>19</b>
34,262	32,256	Sundry Debtors & Advance Payments	33,165			<b>29</b>
14,907	30,415	Short Term Investments	20,035			
12,280	8,319	Cash And Cash Equivalents	6,140			
<b>62,987</b>	<b>72,298</b>			<b>62,915</b>		
<b>LESS : CURRENT LIABILITIES</b>						
(2,278)	(15,597)	Short Term Loans Outstanding	(7,958)			<b>31</b>
(253)	(221)	Deposits & Clients' Funds	(159)			
(864)	(1,427)	Short Term Provisions	(2,341)			<b>34</b>
(36,021)	(29,691)	Sundry Creditors & Advance Receipts	(27,149)			<b>30</b>
0	(3,983)	Revenue Grants Receipts in Advance	(1,281)			
(5,397)	(3,889)	Bank Accounts	(8,788)			
<b>(44,813)</b>	<b>(54,808)</b>			<b>(47,676)</b>		
<b>18,174</b>	<b>17,490</b>	<b>NET CURRENT ASSETS</b>			<b>15,239</b>	
<b>796,745</b>	<b>747,015</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>735,200</b>	
<b>LESS: LONG TERM LIABILITIES</b>						
(130,594)	(124,032)	External Loans Outstanding	(199,406)			<b>31</b>
(9,690)	(14,097)	Capital Grants Receipts in Advance	(4,606)			<b>39</b>
(1,139)	(728)	Finance Lease Liabilities	(334)			<b>26</b>
(8,686)	(8,181)	Deferred Liabilities	(7,618)			<b>32</b>
(273,700)	(113,000)	Pension Liability	(178,600)			<b>8</b>
(41,887)	(38,825)	Long Term Provisions	(39,671)			<b>34</b>
<b>(465,696)</b>	<b>(298,863)</b>			<b>(430,235)</b>		
<b>331,049</b>	<b>448,152</b>	<b>TOTAL NET ASSETS</b>			<b>304,965</b>	

<b>1/4/2010</b>		<b>31/3/2011</b>		<b>31/3/2012</b>		
<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>Note</b>
<b>FINANCED BY :</b>						
<b>USABLE RESERVES</b>						
(14,564)	(21,082)	Earmarked Reserves		(25,294)		<b>35</b>
(307)	(1,086)	Capital Receipts Unapplied		(1,718)		<b>38</b>
(913)	(622)	Capital Grants Unapplied		(5,344)		
(9,925)	(12,809)	General Fund		(18,035)		<b>13</b>
(781)	(688)	Housing Revenue Account		(765)		
(891)	(20)	Major Repairs Reserve		(18)		
(629)	(1,589)	Competitive Services / Commuted Sums		(1,805)		<b>35</b>
210	393	Collection Fund Balance		972		
(13,340)	(14,430)	Other Balances		(11,691)		<b>35</b>
<b>(41,140)</b>	<b>(51,933)</b>				<b>(63,698)</b>	
<b>UNUSABLE RESERVES</b>						
(197,473)	(199,409)	Revaluation Reserve		(193,342)		<b>36</b>
(389,201)	(328,196)	Capital Adjustment Account		(245,893)		<b>37</b>
(328)	(225)	Financial Instruments Adjustment Reserve		(145)		<b>40</b>
68	214	Collection Fund Adjustment Account		608		<b>42</b>
5,121	4,014	Accumulated Absences		4,554		<b>41</b>
273,700	113,000	Pension Reserve		178,600		<b>8</b>
18,288	14,446	Equal Pay Back Pay Reserve		14,390		
(84)	(63)	Deferred Capital Receipts		(39)		<b>33</b>
<b>(289,909)</b>	<b>(396,219)</b>				<b>(241,267)</b>	
<b>(331,049)</b>	<b>(448,152)</b>	<b>TOTAL RESERVES AND BALANCES</b>			<b>(304,965)</b>	



## CASH FLOW STATEMENT

<u>2010/11</u>	<u>2011/2012</u>		
<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
<b><u>OPERATING ACTIVITIES</u></b>			
<b>Cash Outflows:</b>			
195,464	Cash Paid to and on behalf of Employees	186,556	
278,707	Cash Paid for Goods and Services	313,136	
31,213	Housing Benefit paid out	38,232	
4,501	Interest Paid	4,871	
761	Payments to Housing Capital Receipts Pool	439	
1,570	Net Increase / (Decrease) in Council Tax Liquid Resources	1,589	
<b>512,216</b>	<b>Cash Outflows Generated from Operating Activities</b>		<b>544,823</b>
<b>Cash Inflows:</b>			
(25,240)	Rents (after Rebates)	(26,721)	
(62,825)	Council Tax Receipts (excl major preceptors share of receipts)	(62,735)	
(57,753)	NNDR Receipts from National Pool	(51,801)	
(8,386)	Revenue Support Grant	(16,012)	
(45,533)	DWP Grants for Benefits	(50,769)	
(164,925)	Other Government Grants	(155,868)	
(2,975)	Interest Received	(3,157)	
(1,000)	Airport Dividend Received	(1,000)	
(157,104)	Cash Received for Goods and Services	(96,330)	
<b>(525,741)</b>	<b>Cash Inflows Generated from Operating Activities</b>		<b>(464,393)</b>
<b>(13,525)</b>	<b>NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES</b>		<b>80,430</b>
<b><u>INVESTING ACTIVITIES</u></b>			
21,623	Purchase of Fixed Assets		13,705
3,791	Purchase of Long Term Investments		3,128
15,508	Net Increase / (Decrease) in Short Term Deposits		(10,380)
(1,584)	Proceeds of Sale of Fixed Assets		(1,901)
(16,579)	Capital Grants received		(11,527)
<b>22,759</b>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(6,975)</b>
<b><u>FINANCING ACTIVITIES</u></b>			
Repayments of amounts borrowed:			
7,234	Long Term loans repaid		10,518
21,000	Short Term loans repaid		26,300
85	Net Receipts from Long Term Debtors		1,358
(9,100)	New Long Term Loans		(83,253)
(26,000)	New Short Term Loans		(21,300)
<b>(6,781)</b>	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(66,377)</b>
<b>2,453</b>	<b>NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>7,078</b>
<b>6,883</b>	<b>Cash and Cash Equivalents at beginning of the reporting period</b>		<b>4,430</b>
<b>4,430</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(2,648)</b>

**Cash and cash equivalents include:**

Cash held:		
116	Imprest accounts	107
1,316	Schools cash advances	1,839
(3,889)	Bank current accounts	(8,788)
6,887	Short term deposits with banks & building societies	4,194



S KENYON, CPFA  
Assistant Director of Resources (Finance & Efficiency)  
23 August 2012

## **NOTES TO THE CORE FINANCIAL STATEMENTS**

### **1. ACCOUNTING POLICIES**

#### **GENERAL**

The Statement of Accounts summarises the Council's transactions for the 2011/2012 financial year and its position at year end of 31 March 2012. The Accounts have been prepared in accordance with the Accounts and Audit (England) Regulations 2011 which have replaced the 2003 Regulations and the Local Government and Housing Act 1989. They follow the principles and form recommended by the 2011 Code of Practice on Local Authority Accounting issued by CIPFA.

This Code of Practice is the second 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 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 83.
- 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 48.
- 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 2012/13 has introduced a change in accounting policy in relation to IFRS 7 *Financial Instruments: Disclosures (transfers of financial assets)* and this will need to be adopted fully by the Council in the 2012/13 financial statements. The accounting policy requires the Authority to provide the required disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. The Council did not transfer any such financial assets in 2011/12.

## **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 38 (page 93).

## **CARBON REDUCTION COMMITMENT SCHEME**

The Authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and is apportioned to services on the basis of energy consumption.

## **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 Council 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 2011/2012 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.

### **HERITAGE ASSETS**

The heritage assets held by the Council are predominantly the collections of pictures and artefacts mainly exhibited in the Art Gallery and Museum. The Council has also recognised a number of other heritage assets which have been reclassified from Community Assets.

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.

The CIPFA Code of Practice requires that heritage assets are measured at valuation in the 2011/12 financial statements. Details can be found in Note 19 (page 77).

The Council considers that obtaining external valuations for the vast majority of items that are exhibited within the museums or stored would involve a disproportionate cost in comparison to the benefits to the users of the financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. The items in the art collection do have an insurance valuation, however they are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation on these.

Other various gifts, bequests and artefacts that are also held in the Museum and Art Gallery are recognised and measured at depreciated historical cost in accordance with the Council's accounting policies on property, plant and equipment.

### **Civic Regalia**

The civic regalia collection consists of the Council's civic regalia and assorted items received by the Council as part of its civic role. The items are carried on the Balance Sheet at insurance valuation, which is based on market values. The items are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

The carrying value of heritage assets currently held in the Balance Sheet as Community Assets (at cost) within Property, Plant and Equipment at 31st March 2011 was £0.084 million.

As a result of the adoption by the Council of the new standard from 1st of April 2011 the value of the heritage assets has been increased to £23.8million in line with the current insurance valuation.

New assets that have been identified in the year include Radcliffe Tower, the Dungeon and Rodger Worthington's grave. As there is no available valuation for these assets they have been reported at nominal value as recommended by the Council's property valuer.

#### Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

It is highly unlikely that the Council will agree to dispose of any of the heritage assets recognised in the financial statements in the future.

### **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 SERCOP. 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 accumulate 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:

	<b><u>Bases</u></b>	<b><u>Estimated Life</u></b>
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 introduced as of 1<sup>st</sup> 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 2011/12 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 79).

### **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 2011/2012 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. The only exceptional item related to the one off payment of £78.253m made to the Secretary of State in preparation for the commencement of self-financing of the Housing Revenue Account from 1 April, 2012. The Council took out a loan of the equivalent amount to fund the payment. All relevant transactions are shown in the accounts.

Prior year adjustments represent those material adjustments applicable to prior years arising from changes in accounting policies or the correction of fundamental errors. The Code of Practice for Local Authority Accounting in the United Kingdom 2011/12 required a change in the Accounting policy for heritage assets that are now recognised at valuation.

The Authority had recognised as heritage assets in the 2011/12 accounts assets that were previously classed as community assets and carried on the Balance Sheet at historical cost with no depreciation applied to reflect the indefinite lives attributed to these assets.

The Authority's accounting policies for recognition and measurement of heritage assets are set out in the summary of significant accounting policies (see Note 1 on page 42).

In applying the new accounting policy the Authority has identified that the assets previously held under the Community assets class should now be recognised as heritage assets and measured at £23.760m with a corresponding increase in the Revaluation reserve.

These are mainly the Museum's Art collection of pictures and objects held previously under the community assets subheading in the Authority's property, plant and equipment.

The newly identified heritage assets from historical buildings and sites that were not previously recognised in the Balance Sheet will not increase the value of this class of assets as they are recognised at a nominal value only due to restricted specialist valuation availability for this type of assets.

The effects of the restatement are shown in the tables below:

**Effect in Opening Balance Sheet 1 April 2010**

	Opening Balances as at 1 April 2010 £'000	Restatement £'000	Restatement required to opening balances as at 1 April 2010 £'000
Community Assets	638	554	-84
Heritage Assets	0	84	84
Long term Assets	638	638	0
<b>Total Net Assets</b>	<b>638</b>	<b>638</b>	<b>0</b>
Revaluation Reserve	173,797	173,797	0
Net Worth / Total reserves	307,373	307,373	0

**Movement in Reserves Statement - Unusable Reserves 2010/11**

	Previously stated at 31 March 2011 £'000	As restated 31 March 2011 £'000	Restatement 2011 £'000
Balance at the end of the previous accounting period - 31 March 2010	266,233	289,909	23676
<b>Surplus or Deficit on the Provision of Services</b>	0	0	0
Other Comprehensive Income and Expenditure	0	0	0
Adjustments between the accounting basis and the funding basis under regulations	0	0	0
<b>Increase / (decrease) in the year</b>	<b>0</b>	<b>23,676</b>	<b>23,676</b>
<b>Balance at the end of the current reporting period 31 March 2011</b>	<b>372,543</b>	<b>396,219</b>	<b>23,676</b>

## Effect on Balance Sheet 31 March 2011

	Previously stated at 31 March 2011 £'000	As restated 31 March 2011 £'000	Restatement 2011 £'000
Community Assets	638	554	-84
Heritage Assets	0	23,760	23,760
Long term Assets	638	24,314	23,676
<b>Total Net Assets</b>	<b>638</b>	<b>24,314</b>	<b>23,676</b>
Revaluation Reserve	175,733	199,409	23,676
Net Worth / Total reserves	425,081	448,757	23,676

### 3. EVENTS AFTER THE BALANCE SHEET DATE

No events have taken place after 31 March 2012 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: -

<b><u>2010/11</u></b>		<b><u>Gross</u></b>	<b><u>2011/12</u></b>	
<b><u>Deficit/</u></b>		<b><u>Expenditure</u></b>	<b><u>Income</u></b>	<b><u>Deficit/</u></b>
<b><u>(Surplus)</u></b>		<b><u>£000's</u></b>	<b><u>£000's</u></b>	<b><u>(Surplus)</u></b>
<b><u>£000's</u></b>				<b><u>£000's</u></b>
798	Civic Halls	1,568	(1,013)	555
(898)	Markets	1,560	(2,679)	(1,119)
(706)	Property & Estates	1,410	(2,156)	(746)
(440)	Industrial Units	1,061	(1,182)	(121)
217	Highway Network Services	3,733	(3,642)	91
(100)	Architectural Practice	2,692	(2,745)	(53)
(32)	Grounds Maintenance	2,959	(3,090)	(131)
(145)	Cleaning of Buildings	5,051	(5,309)	(258)
0	Education – Fair Funding	2,750	(2,750)	0
	Emergency & Security			
(332)	Service	920	(1,314)	(394)
(538)	Transport Services	3,787	(4,438)	(651)
<b><u>(2,610)</u></b>	<b>TOTAL</b>	<b><u>27,491</u></b>	<b><u>(30,318)</u></b>	<b><u>(2,827)</u></b>

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 SERCOP. 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 SERCOP analysis. All material trading accounts are shown above. Both 2010/11 and 2011/12 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 are 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>2010/2011</u> <u>£000's</u>	<u>2011/2012</u> <u>£000's</u>
Interest on Car Loans	77	73
Mortgage Interest repayment – Housing Revenue Account	4	3
Mortgage Interest repayment – Housing Loan Account	25	24
Investment Interest	610	597
Interest on Airport Loan	1,009	1,009
Interest on Other Balances	250	451
Airport Dividend	1,000	1,000
<b>TOTAL</b>	<b>2,975</b>	<b>3,157</b>

## 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.

2010/11	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	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	27,260	0	0	0	0	(27,260)
Revaluation losses on Property, Plant and Equipment	49,539	0	0	0	0	(49,539)
Amortisation of Intangible Assets	817	0	0	0	0	(817)
Capital grant and contributions applied	(16,579)	0	0	0	(291)	16,870
Revenue expenditure funded from capital under statute	4,217	0	0	0	0	(4,217)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss	(481)	0	0	0	0	481

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	
on disposal to the Comprehensive Income and Expenditure Statement						
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	(5,838)	0	0	0	0	5,838
Capital expenditure charged against the General Fund and HRA balances	(345)	(93)	0	0	0	438
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	(44)	0	0	44
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	761	0	(761)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	1,584	0	0	(1,584)
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(871)	0	871
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
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	0	0	0	0	(103)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(38,046)	0	0	0	0	38,046
Employer's pensions contributions and direct payments to pensioners payable in the year	(12,854)	0	0	0	0	12,854
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
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	0	0	0	0	(146)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
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)	0	0	0	0	1,107
<b>Total Adjustments</b>	<b>7,593</b>	<b>(93)</b>	<b>779</b>	<b>(871)</b>	<b>(291)</b>	<b>(7,117)</b>

2011/12	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	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	24,311	0	0	0	0	(24,311)
Amortisation of Intangible Assets	906	0	0	0	0	(906)
Capital grant and contributions applied	(21,118)	0	0	0	4,722	16,396
Revenue expenditure funded from capital under statute	2,402	0	0	0	0	(2,402)
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	(248)	0	1,901	0	0	(1,653)



2011/12	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	
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	(6,166)	0	0	0	0	6,166
Capital expenditure charged against the General Fund and HRA balances	(690)	77	0	0	0	613
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	(831)	0	0	831
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	439	0	(439)	0	0	0
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(2)	0	2
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
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	79	0	0	0	0	(79)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	12,800	0	0	0	0	(12,800)
Employer's pensions contributions and direct payments to pensioners payable in the year	(12,558)	0	0	0	0	12,558
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
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	394	0	0	0	0	(394)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
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	541	0	0	0	0	(541)
<b>Total Adjustments</b>	<b>1,092</b>	<b>77</b>	<b>631</b>	<b>(2)</b>	<b>4,722</b>	<b>(6,520)</b>

## 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 2011/12. 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 Council. Also included is the MRP contribution to cover finance lease liabilities. The calculation is shown below:-

<u>2010/2011</u>	<u>Provision for Repayment of External Loans</u>	<u>2011/2012</u>
<u>£000's</u>		<u>£000's</u>
4,474	Minimum Revenue Provision for the General Fund	4,753
411	Finance lease liabilities	393
505	Other principal repayments	563
<b>5,390</b>	<b>TOTAL</b>	<b>5,709</b>
<b>448</b>	Voluntary Revenue Provision	<b>457</b>

## 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>2011</u> £000's	<u>Year to</u> <u>31 March</u> <u>2012</u> £000's
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current Service Cost	16,500	12,900
Past service costs	3,200	1,400
Curtailment and Settlements	(300)	(100)
Change in pension increases (see note below)	(62,100)	0
<b>Net operating Expenditure</b>	<b>(42,700)</b>	<b>14,200</b>
Interest cost	35,600	30,600
Expected return on assets in the scheme	(28,900)	(29,300)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(36,000)</b>	<b>15,500</b>

<b>Other post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
Actuarial (gains) and losses	(109,800)	65,400
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(145,800)</b>	<b>80,900</b>
<b>Movement in Reserves Statement</b>		
Reversal of net changes made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	55,546	0
Actual amount charged against the General Fund Balance for pensions in the year:		
<b>Employers' contributions payable to scheme</b>	<b>12,854</b>	<b>12,558</b>

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 31<sup>st</sup> March 2012 is a loss of £160.400m.

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>2010/11</u>	<u>2011/12</u>	
<u>Total Cost</u> <u>£000's</u>	<u>Total Cost</u> <u>£000's</u>	<u>Proportion of Pensionable pay</u> <u>%</u>
<b>Teachers</b>		
8,239 Contribution to DCSF etc.	8,115	13.71
1,528 Added years and pensions increases	1,554	2.62
0 Lump sum payments	0	
<b>9,767</b>	<b>9,669</b>	
<b>Other employees</b>		
12,851 Contribution to Superannuation Fund	12,559	13.13
1,356 Added years and pensions increases	1,368	1.43
0 Lump sum payments	0	
<b>14,207</b>	<b>13,927</b>	

## Assets and Liabilities in Relation to Post-employment Benefits

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

	<b>31 Mar 2011 £000</b>	<b>31 Mar 2012 £000</b>
Opening balance 1 <sup>st</sup> April	693,600	557,700
Current Service Costs	16,500	12,900
Interest Cost	35,600	30,600
Contributions by scheme participants	5,200	4,800
Actuarial (Gains) / Losses	(113,800)	42,600
Estimated Benefits Paid	(17,900)	(20,100)
Estimated Unfunded Benefits Paid	(2,900)	(3,000)
Past Service Costs / (Gains)	3,200	1,300
Change in pension increases	(62,100)	0
Losses / (gains) on Curtailments	300	100
<b>Closing balance at 31<sup>st</sup> March</b>	<b>557,700</b>	<b>626,900</b>

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

	<b>31 Mar 2011 £000</b>	<b>31 Mar 2012 £000</b>
Opening balance 1 <sup>st</sup> April	419,900	444,700
Expected rate of return	28,900	29,300
Actuarial Gains / (Losses)	(4,000)	(22,800)
Employer contributions	12,600	12,400
Contributions by scheme participants	5,200	4,800
Benefits paid	(17,900)	(20,100)
Contributions in respect of Unfunded Benefits	2,900	3,000
Unfunded Benefits Paid	(2,900)	(3,000)
<b>31<sup>st</sup> March</b>	<b>444,700</b>	<b>448,300</b>

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 £22,800,000 (2010/11 this was a loss of £4,000,000)

## Scheme history

<b>31 Mar 2011</b>	<b>31 Mar 2012</b>
<b>£000</b>	<b>£000</b>

Present value of liabilities: Local Government Pension Scheme	(520,300)	(588,300)
Fair Value of Assets in the Local Government Pension Scheme	444,700	448,300
<b>Surplus / (deficit) in the scheme:</b>	<b>(75,600)</b>	<b>(140,000)</b>
Discretionary benefits	(37,400)	(38,600)
<b>Total</b>	<b>(113,000)</b>	<b>(178,600)</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £588.300m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £178.600m.

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 31<sup>st</sup> March 2013 are £12,646,000. Expected contributions to the Discretionary Benefits scheme in the year to 31<sup>st</sup> March 2013 are £2,884,600.

### **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 31<sup>st</sup> March 2010.

The principal assumptions used by the actuary are:

<b>Long term expected rate of return on assets in the scheme:</b>	<b>31 Mar 2011 £000</b>	<b>31 Mar 2012 £000</b>
Equity investments	7.5%	6.3%
Bonds	4.9%	3.9%
Property	5.5%	4.4%
Cash	4.6%	3.5%
Mortality assumptions:		

Longevity at 65 for current pensioners:		
- Men	20.1 years	20.1 years
- Women	22.9 years	22.9 years
Longevity at 65 for future pensioners:		
- Men	22.5 years	22.5 years
- Women	25.0 years	25.0 years
Rate of inflation (CPI)	2.8%	2.5%
Rate of increase in salaries	4.3%	4.3%
Rate of increase in pensions	2.8%	2.5%
Rate for discounting scheme liabilities	5.5%	4.8%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

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:

<b>Major Categories of Plan Assets as Percentage of Total Plan Assets:</b>	<b>31 Mar 2011 £000</b>	<b>31 Mar 2012 £000</b>
Equity investments	66%	66%
Debt Instruments	17%	17%
Other assets	17%	17%
	100%	100%

### History of experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities as at 31st March 2012:

	<u>2011/12</u> <u>£000's</u>	<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>
Differences between expected and actual return on assets	(22,800)	(700)	91,400	36,700	(12,800)
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Experience gains and losses on liabilities:-					
Assets	(5.09)	(0.90)	21.74	(28.50)	(12.51)
Liabilities	(6.79)	8.54	(0.27)	(0.12)	0.60

Further information can be found in the Greater Manchester Pension Fund's Annual Report which is available upon request from Tameside Metropolitan

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	<u>Year to</u> <u>31 March</u> <u>2011</u> £000's	<u>Year to</u> <u>31 March</u> <u>2012</u> £000's
<b>Opening Balance</b>	(273,700)	(113,000)
Actuarial gains or (losses) on pension assets and liabilities	109,800	(65,400)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	38,046	(12,758)
Employer's pension contributions and direct payments to pensioners payable in the year	12,854	12,558
<b>Closing Balance</b>	<b>(113,000)</b>	<b>(178,600)</b>

## 9. MANCHESTER AIRPORT PLC

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

<u>2010/2011</u> <u>£000's</u>	<u>2011/2012</u> <u>£000's</u>
<b>Income</b>	
(410) Rent Income	(406)
0 Contribution from Reserves	(3)
(1000) Dividend Income	(1000)
<b>(1,410)</b>	<b>(1,409)</b>
<b>Expenditure</b>	

80	Repayment of loans	81
	Contribution to Airport Share	
0	Reserve	0
0	Impairment charges	0
<b>80</b>		<b>81</b>
<b>(1,330)</b>	<b>NET INCOME</b>	<b>(1,328)</b>

In 2011/12 net income of £1.328 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.

<b>Postholder Information (Post title and Name)</b>	Note	Salary (including fees and allowances)	Benefits In Kind	Total Remuneration excluding pension contributions	Employers Pension Contributions	Total Remuneration Including Pension Contributions
		£	£	£	£	£
<b>2011/12</b>						
-		-	-	-	-	-
<b>2010/11</b>						
Chief Executive – M Sanders (part year)	1	146,927	883	<b>147,810</b>	25,925	<b>173,735</b>

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.

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 Strategic Leadership Team.

<b>Postholder Information (Post title and Name)</b>	Note	Salary (including fees and allowances)	Benefits In Kind	Total Remuneration excluding pension contributions	Employers Pension Contributions	Total Remuneration Including Pension Contributions
		£	£	£	£	£
<b>2011/12</b>						
Chief Executive	1	142,179	932	<b>143,111</b>	23,317	<b>166,428</b>
Deputy Chief Executive		121,569	0	<b>121,569</b>	20,103	<b>141,672</b>
Executive Director – Adult Services		100,191	0	<b>100,191</b>	16,568	<b>116,759</b>



Executive Director – Environment & Development		100,191	0	<b>100,191</b>	16,568	<b>116,759</b>
Executive Director – Children’s Services		98,180	0	<b>98,180</b>	16,235	<b>114,415</b>
Executive Director of Resources		93,804	0	<b>93,804</b>	15,512	<b>109,316</b>
<b>2010/11</b>						
Deputy Chief Executive	2	136,627	963	<b>137,590</b>	21,450	<b>159,040</b>
Executive Director – Children’s Services		111,856	0	<b>111,856</b>	17,561	<b>129,417</b>
Executive Director – Adult Services		101,022	0	<b>101,022</b>	15,860	<b>116,882</b>
Executive Director – Environment & Development		101,022	0	<b>101,022</b>	15,860	<b>116,882</b>
Director of Finance & E-Government	3	92,087	0	<b>92,087</b>	14,458	<b>106,545</b>
Director of Personnel	4	84,348	0	<b>84,348</b>	13,243	<b>97,591</b>
Director of Legal & Democratic Services	4	82,548	0	<b>82,548</b>	12,114	<b>94,662</b>
Assistant Chief Executive	5	77,700	0	<b>77,700</b>	12,199	<b>89,899</b>

Notes:

1. The salary includes £5,552 Returning Officer Election allowance.
2. The occupant of this post was promoted to the position of Chief Executive from 01 March, 2011.
3. The occupant of this post was promoted to the position of Executive Director of Resources from 01 March, 2011. The post of Director of Finance & E-Government was disestablished wef 1 March, 2011.
4. These 2 posts were part of the Council’s Management Board in 2010/11 but were not part of the Strategic Leadership Team in 2011/12.
5. The occupant of this post was promoted to the position of Deputy Chief Executive from 01 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:-

<b><u>Salary Range (£)</u></b>	<b><u>2010/2011</u></b>	<b><u>2011/2012</u></b>
50,000 to 54,999	60	56
55,000 to 59,999	46	37
60,000 to 64,999	29	29
65,000 to 69,999	9	10
70,000 to 74,999	6	5
75,000 to 79,999	9	9
80,000 to 84,999	4	5
85,000 to 89,999	4	2
90,000 to 94,999	1	3
95,000 to 99,999	1	2
100,000 to 104,999	2	2
105,000 to 109,999	0	0
110,000 to 114,999	2	0

115,000 to 119,999	0	0
120,000 to 124,999	0	1
125,000 to 129,999	0	0
130,000 to 134,999	0	1
135,000 to 139,999	1	0
140,000 to 144,999	0	1
145,000 to 149,999	1	0
150,000 to 154,999	0	0
<b>TOTAL</b>	<b>175</b>	<b>163</b>

In 2011/12, 30 of the above employees did not work in schools (42 in 2010/11).

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total Number of Exit packages by cost band		Total cost of exit packages in each band	
	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011 £000	2011/2012 £000
£0 - £20,000	24	44	164	128	<b>188</b>	<b>172</b>	<b>1,295</b>	<b>1,110</b>
£20,001 - £40,000	2	0	16	14	<b>18</b>	<b>14</b>	<b>477</b>	<b>332</b>
£40,001 - £60,000	0	0	2	0	<b>2</b>	<b>0</b>	<b>102</b>	<b>0</b>
£60,001 - £80,000	0	0	0	0	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
£80,001 - £100,000	0	0	0	0	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
£100,001 - £150,000	0	0	0	0	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>26</b>	<b>44</b>	<b>182</b>	<b>142</b>	<b>208</b>	<b>186</b>	<b>1,874</b>	<b>1,442</b>

## **11. MEMBERS ALLOWANCES**

The total amount of Allowances paid to Members of the Council during 2011/12 was £562,078 (£594,089 in 2010/11) plus Employees National Insurance of £31,466 (£41,957 in 2010/11), giving an overall total of £593,544. In addition during 2011/12 Members were also paid Expenses totaling £15,159 (£20,836 in 2010/11).

## **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 2011/2012 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 £9,278 during 2011/2012 (£12,604 during 2010/2011).

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 £5,098,463 during 2011/2012 (£5,330,645 in 2010/2011). This represents income to the Council of £9,378,484 (£9,933,320 in 2010/2011) and expenditure of £14,476,947 (£15,263,965 in 2010/2011), including the management fee paid to Six Town Housing, of £12,737,100.

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 2011/2012 surplus on the General Fund (excluding the use of balances and reserves) of **£4.600m** is split as follows: -

	<b><u>DSG Schools Budget £000's</u></b>	<b><u>General £000's</u></b>	<b><u>Total £000's</u></b>
<b>Balance at 31<sup>st</sup> March 2011</b>	<b>(4,504)</b>	<b>(8,305)</b>	<b>(12,809)</b>
(Surplus)/Deficit for the Year	(3,301)	(1,299)	(4,600)
In Year Contribution	0	(626)	(626)
<b>Balance at 31<sup>st</sup> March 2012</b>	<b>(7,805)</b>	<b>(10,230)</b>	<b>(18,035)</b>

The directorate carry-forward requests were considered by the Cabinet on 11 July, 2012.

#### 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 2011/12 are as follows:

	<b>Central Expenditure</b>	<b>ISB</b>	<b>Total</b>	Note
	£000	£000	£000	
Final DSG for 2011-12			132,111	
Brought Forward from 2010-11			(1,547)	
Agreed Initial budgeted distribution in 2011-12	<b>(11,674)</b>	<b>(118,890)</b>	<b>(130,564)</b>	(a)
In Year Adjustments	0	0	0	
Final Budgeted Distribution for 2011-12	(11,674)	(118,890)	(130,564)	
Less Actual Central Expenditure	11,911	0	11,911	
Less Actual ISB deployed to Schools	0	118,890	118,890	
Plus Local Authority contribution for 2011-12	0	0	0	
<b>Carry forward to 2012-13</b>	<b>237</b>	<b>0</b>	<b>237</b>	

Note

- (a) The Schools Forum resolved to authorize the breach of the Central Expenditure Limit in their meeting of 17th January 2011.

#### 15. DISCLOSURE OF AUDIT COSTS

In 2011/2012 the Authority incurred the following fees relating to external audit and inspection:

	<u>2010/2011</u> <u>(£000)</u>	<u>2011/2012</u> <u>(£000)</u>
Fees payable to the Audit Commission / KPMG with regard to external audit services carried out	286	257
Fees payable to the Audit Commission in respect of statutory inspection	0	0
Fees payable to the Audit Commission / KPMG for the certification of grant claims and returns	35	36
Fees payable in respect of other services provided by KPMG	0	7
Audit Commission subsidy	(27)	(17)
<b>TOTAL</b>	<b>294</b>	<b>283</b>

**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 2011/12 are shown below. The £96,593 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.

	<b><u>2011/2012</u></b>
	<b><u>Total Fund</u></b>
	<b><u>£000</u></b>
Contributions to the pool	(527)
Expenditure from the pool	<u>624</u>
<b>Deficit</b>	<u>97</u>

The 2010/2011 deficit was £98,920 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 Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet 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:

<b><u>2011/12</u></b>							
<i>All figures shown are in £000's</i>							
<b>Directorate / Services</b>	Chief Executive's	Other	Housing General Fund	Children's Services	Environment & Development Services	Adult Care Services	Directorate Analysis Total
Fees, charges & other service income	(25,442)	(2,839)	(71)	(18,327)	(51,631)	(24,408)	(122,718)
Government Grants	(16,379)	0	(55,587)	(164,613)	(2,847)	(6,844)	(246,270)
<b>Total Income</b>	<b>(41,821)</b>	<b>(2,839)</b>	<b>(55,658)</b>	<b>(182,940)</b>	<b>(54,478)</b>	<b>(31,252)</b>	<b>(368,988)</b>
Employee expenses	14,885	1,983	0	138,039	32,124	25,000	212,031
Other operating expenses	22,929	18,641	54,296	67,055	48,251	54,482	265,654
Support service recharges	10,971	(9,166)	1,862	11,208	12,534	7,143	34,552
<b>Total operating expenses</b>	<b>48,785</b>	<b>11,458</b>	<b>56,158</b>	<b>216,302</b>	<b>92,909</b>	<b>86,625</b>	<b>512,237</b>
<b>Cost of Service</b>	<b>6,964</b>	<b>8,619</b>	<b>500</b>	<b>33,362</b>	<b>38,431</b>	<b>55,373</b>	<b>143,249</b>

<b>Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement</b>	
	<b><u>£000's</u></b>
<b>(Directorate) Analysis</b>	<b>143,249</b>
Services and Support Services not in Analysis	(3,586)
Amounts not reported to management for decision making	87,695
Amounts not included in I & E	8,323
<b>Sub Total - Cost of Services</b>	<b>235,681</b>
Less Corporate Amounts	(243,710)
<b>Total</b>	<b>(8,029)</b>

<b>Reconciliation to Subjective Analysis</b>	(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	(119,743)	(10,865)	(28,184)	0	(158,792)	(27,568)	(186,360)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	(2,975)	0	0	(13,148)	(16,123)	(3,157)	(19,280)
Income from Council Tax	0	0	0	0	0	(77,362)	(77,362)
Government grants and contributions	(246,270)	(138,305)	6,480	0	(378,095)	(246,586)	(624,681)
<b>Total income</b>	<b>(368,988)</b>	<b>(149,170)</b>	<b>(21,704)</b>	<b>(13,148)</b>	<b>(553,010)</b>	<b>(354,673)</b>	<b>(907,683)</b>
Employee expenses	212,032	104,000	0	0	316,032	11,010	327,042
Other service expenses	226,772	38,621	14,871	4,433	284,697	89,523	374,220
Support service recharges	34,552	2,944	0	0	37,496	1,990	39,486
Depreciation, amortisation and impairment	9,240	18	16,257	17,038	42,553	1,770	44,323

Interest payments	6,479	0	18	0	6,497	6,479	12,976
Precepts and Levies	23,163	0	0	0	23,163	0	23,163
Payments to Housing Capital Receipts Pool	0	0	0	0	0	439	439
HRA Self Financing Payment to Government	0	0	78,253	0	78,253	0	78,253
Gain or Loss on disposal of fixed assets	0	0	0	0	0	(248)	(248)
<b>Total operating expenses</b>	<b>512,238</b>	<b>145,583</b>	<b>109,399</b>	<b>21,471</b>	<b>788,691</b>	<b>110,963</b>	<b>899,654</b>
<b>Surplus or deficit on the provision of services</b>	<b>143,250</b>	<b>(3,587)</b>	<b>87,695</b>	<b>8,323</b>	<b>235,681</b>	<b>(243,710)</b>	<b>(8,029)</b>

<b>2010/11</b>							
<u>All figures shown are in £000's</u>							
<b>Directorate / Services</b>	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)
<b>Total Income</b>	<b>(44,197)</b>	<b>(25,731)</b>	<b>(49,359)</b>	<b>(172,291)</b>	<b>(60,452)</b>	<b>(32,847)</b>	<b>(384,877)</b>
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
<b>Total operating expenses</b>	<b>58,605</b>	<b>(30,955)</b>	<b>49,670</b>	<b>237,246</b>	<b>118,081</b>	<b>91,806</b>	<b>524,453</b>
<b>Cost of Service</b>	<b>14,408</b>	<b>(56,686)</b>	<b>311</b>	<b>64,955</b>	<b>57,629</b>	<b>58,959</b>	<b>139,576</b>

<b>Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement</b>	
	<u>£000's</u>
<b>(Directorate) Analysis</b>	<b>139,576</b>
Services and Support Services not in Analysis	(658)



Amounts not reported to management for decision making	4,257
Amounts not included in I & E	19,393
<b>Sub Total - Cost of Services</b>	<b>162,568</b>
Less Corporate Amounts	(166,385)
<b>Total</b>	<b>(3,817)</b>

<b>Reconciliation to Subjective Analysis</b>	(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)
<b>Total income</b>	<b>(384,878)</b>	<b>(153,311)</b>	<b>(22,095)</b>	<b>(16,500)</b>	<b>(576,784)</b>	<b>(209,564)</b>	<b>(786,348)</b>
Employee expenses	209,886	107,380	0	0	317,266	16,247	333,513
Other service expenses	246,050	42,321	15,426	10,326	314,123	15,104	329,227
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)
<b>Total operating expenses</b>	<b>524,454</b>	<b>152,653</b>	<b>26,352</b>	<b>35,893</b>	<b>739,352</b>	<b>43,179</b>	<b>782,531</b>
<b>Surplus or deficit on the provision of services</b>	<b>139,576</b>	<b>(658)</b>	<b>4,257</b>	<b>19,393</b>	<b>162,568</b>	<b>(166,385)</b>	<b>(3,817)</b>

**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

	<b><u>2010/2011</u></b>	<b><u>2011/2012</u></b>
	<b><u>£000's</u></b>	<b><u>£000's</u></b>
<b>Net expenditure in the (Directorate) Analysis</b>	<b>139,576</b>	<b>143,249</b>
Net expenditure of services and support services not included in the Analysis	(658)	(3,586)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	4,257	87,695
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	19,393	8,323
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>162,568</b>	<b>235,681</b>

**18. TANGIBLE FIXED ASSETS**

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

<b>TANGIBLE FIXED ASSETS - OPERATIONAL</b>	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Infrastruct-ure Assets</b>	<b>Vehicles, Plant and Eqpt</b>	<b>Community Assets</b>	<b>Total</b>
<b>Certified Valuation or Cost at 1 April 2011</b>	226,402	374,291	42,371	7,712	638	651,414
Additions	5,016	4,192	2,091	2,192	214	13,705
Revaluations recognised in the Revaluation Reserve	(9,725)	57	0	0	0	(9,668)
Revaluations recognised in the Surplus/Deficit on the provision of Services	(6,240)	0	0	0	0	(6,240)
Disposals	0	0	(1,176)	0	0	(1,176)
Reclassification (to) / from Held for Sale	(364)	(684)	0	0	0	(1,048)

Other movements - Reclassification	0	(1,463)	0	(27)	(84)	(1,574)
<b>Value of assets at 31 March 2012</b>	<b>215,089</b>	<b>376,393</b>	<b>43,286</b>	<b>9,877</b>	<b>768</b>	<b>645,413</b>
<b>Accumulated depreciation and impairment at 1 April 2010</b>	(4,945)	(17,233)	(10,770)	(4,394)	0	(37,342)
Depreciation - annual charge	(5,000)	(5,019)	(2,211)	(1,171)	0	(13,401)
Depreciation - written out to Revaluation Reserve	4,916	0	0	0	0	4,916
Depreciation - written out to the Surplus/Deficit on the Provision of Services	0	0	66	0	0	66
Impairments recognised in the Surplus/Deficit on the Provision of Services	(5,016)	(4,192)	(541)	0	(214)	(9,963)
Disposals	0	0	0	0	0	0
Other movements - Reclassification	0	158	0	27	0	185
<b>At 31 March 2012</b>	<b>(10,045)</b>	<b>(26,286)</b>	<b>(13,456)</b>	<b>(5,538)</b>	<b>(214)</b>	<b>(55,539)</b>
<b>Balance Sheet Value of assets at 31 March 2012</b>	<b>205,044</b>	<b>350,107</b>	<b>29,830</b>	<b>4,339</b>	<b>554</b>	<b>589,874</b>
<b>Balance Sheet Value of assets at 1 April 2011</b>	221,457	357,057	31,600	3,318	638	604,070

<b>TANGIBLE FIXED ASSETS - NON- OPERATIONAL</b>	<b>Non Operational Assets</b>	<b>Surplus Assets</b>	<b>Assets under construction</b>	<b>Total</b>
<b>Certified Valuation or Cost at 1 April 2011</b>	42,890	2,016	10,074	54,980
Additions	160	0	9,812	9,972
Revaluations recognised in the Revaluation Reserve	831	0	0	831
Revaluations recognised in the Surplus/Deficit on the provision of Services	0	0	0	0

Disposals	(15)	0	0	(15)
Reclassification (to) / from Held for Sale	0	0	0	0
Other movements - Reclassification	1,423	(1,611)	0	(188)
<b>Value of assets at 31 March 2012</b>	<b>45,290</b>	<b>405</b>	<b>19,886</b>	<b>65,581</b>
<b>Accumulated depreciation and impairment at 1 April 2010</b>	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	0	0	0	0
Disposals	0	0	0	0
Other movements - Reclassification	0	0	0	0
<b>At 31 March 2012</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance Sheet Value of assets at 31 March 2012</b>	<b>45,290</b>	<b>405</b>	<b>19,886</b>	<b>65,581</b>
<b>Balance Sheet Value of assets at 1 April 2011</b>	42,890	2,016	10,074	54,980

Bury Council's share of land owned at Manchester Airport is included in the accounts under Non-Operational Assets at a value of £6.5million, after a downward revaluation of £0.140m in 2011/12.

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 revaluation of fixed assets. The valuations are carried out by the Senior Asset Officer, Mr R Dewsnap (MRICS). The basis for the valuation is set out in the statement of accounting policies.

	<u>Council Dwellings</u>	<u>Other Land &amp; Bldgs</u>	<u>Vehicle Plant &amp; 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>Heritag e 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>	<u>£000's</u>
Valued at Historic Cost	-	-	4,339	29,830	554	-	19,886	-	84	-	54,693
Valued at Current / Fair Value:											
2011/12	205,044	(6,950)	-	-	-	113	-	789	23,676	2,227	224,899
2010/2011	-	(2)	-	-	-	-	-	14,323	-	72	14,393
2009/2010	-	2,293	-	-	-	(48,120)	-	30,178	-	-	(15,649)
2008/2009	-	79,110	-	-	-	19,902	-	282	-	-	99,294
2007/2008 and prior	-	275,656	-	-	-	29,354	-	123	-	-	305,133
<b>Total Tangible Fixed Assets</b>	<b>205,044</b>	<b>350,107</b>	<b>4,339</b>	<b>29,830</b>	<b>554</b>	<b>1,249</b>	<b>19,886</b>	<b>45,695</b>	<b>23,760</b>	<b>2,299</b>	<b>682,763</b>

During 2011/2012 the Authority's housing stock was revalued to £208.9million. 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.

## 19. HERITAGE ASSETS

A reconciliation of the Carrying Value of tangible Heritage Assets recognised by the Authority in the year is given in the table below:

	<b>Art Gallery and Museum</b>	<b>Art Gallery and Museum</b>	<b>Civic Regalia</b>	<b>Total</b>
	<b>Artefacts and Gifts</b>	<b>Pictures</b>		
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Certified Valuation or Cost at 1 April 2011</b>	16	68	0	<b>84</b>
Additions	0	0	0	<b>0</b>
Disposals	0	0	0	<b>0</b>
Revaluations recognised in the Revaluation Reserve	0	23,568	108	<b>23,676</b>
Revaluations recognised in the Surplus/Deficit on the provision of Services	0	0	0	<b>0</b>
Reclassification	0	0	0	<b>0</b>
<b>Value of assets at 31 March 2012</b>	<b>16</b>	<b>23,636</b>	<b>108</b>	<b>23,760</b>
<b>Accumulated depreciation and impairment at 1 April 2011</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Depreciation - annual charge	0	0	0	<b>0</b>
Disposals	0	0	0	<b>0</b>
Impairments recognised in the Revaluation Reserve	0	0	0	<b>0</b>
Impairments recognised in the Surplus/Deficit on the Provision of Services	0	0	0	<b>0</b>
Other movements, reclassification	0	0	0	<b>0</b>
<b>Depreciation and impairment at 31 March 2012</b>	0	0	0	<b>0</b>
<b>Balance Sheet Value of assets at 31 March 2012</b>	16	23,636	108	<b>23,760</b>
<b>Balance Sheet Value of assets at 1 April 2011</b>	16	68	0	<b>84</b>

In addition to these, the Authority has identified three Historic Buildings that are now classed as Heritage Assets and that are carried in the accounts at a nominal value only. These are named as the Radcliffe Tower in Radcliffe, The Dungeon in Tottington and Rodger Worthingtons Grave in Hawkshaw.

<b>HERITAGE ASSETS: TWO-YEAR SUMMARY OF TRANSACTIONS</b>	<b>2010/2011</b>	<b>2011/2012</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cost of Acquisitions of Heritage Assets</b>		
Art Gallery and Museum - artefacts and gifts	16	16
Art Gallery and Museum - pictures	68	68
Civic Regalia	0	0
<b>Total Cost of Purchases</b>	<b>84</b>	<b>84</b>
<b>Value of Heritage Assets Acquired by Donation</b>		
<b>Total Donations</b>	<b>0</b>	<b>0</b>
<b>Disposals of Art Collection Assets</b>		
<b>Carrying value</b>	<b>0</b>	<b>0</b>
<b>Proceeds</b>	<b>0</b>	<b>0</b>

The Authority considers that it is not practicable to disclose information on transactions involving Heritage Assets for the past five years as required by CIPFA's Code of Practice. Prior to 1st April 2010 when the new standard was issued the assets in the classes listed were held under Community Assets at depreciated historical cost and with no transactions identified in respect of each of the assets.

#### **Art Gallery and Museum collections:**

The collection has been developed by gift and purchase since 1901 with the specific intention to instruct local visitors about their own heritage. In the case of gifts, these were donated to the Council with clear charitable intent.

The purchases of art objects have been made with the intention to develop the collection in an intelligent and coherent way, to fill out gaps and extend representations of type. The Council has a duty to look after this material entrusted to its care and safe-keeping.

The Authority does not consider that reliable cost or market valuation information can be obtained for the gifts and bequests collection although in the case of some objects, their importance as part of the history of the Borough would far outweigh their current market value. An example would include the outboard motor and chain saw made by Aspin's of Bury, showing that Bury was at the forefront of engineering technological development in the mid twentieth century.

The paintings in the art collection are unique not only by author but also by the particularly important role they hold in the history of the Borough through their local families' provenience.

The Art Gallery and Museum occasionally loans items to other national or international museums and in return accepts and hosts displays of paintings and other art objects on loan.

The insurance valuation amount for the collection has been used in the Authority's accounts for the collection of pictures and objects. It emphasizes the collection's financial importance to the Authority and substitutes an external valuation that in the Authority's view would not produce a figure that truly reflects the contribution to the knowledge, interest and cultural enrichment of the general public in the area.

**Historic Buildings Collection:**

The collection consists in principal of historical sites and buildings dating back to the middle ages:

Radcliffe Tower, off Sandford Street, Radcliffe is a **Grade I** listed and scheduled Ancient Monument, a stone built structure being the remains of a medieval tower. Currently, a bid to Heritage Lottery Fund for £300,000 is being prepared to develop a "Medieval Radcliffe" scheme linking the adjacent Church and Tithe Barn.

The Dungeon, adjacent to 2 Harwood Road in Tottington is a **Grade II** stone built village lock-up dating from 1835. The Dungeon is a small stone structure with an iron gate abutting private property and partially jutting out into Harwood Road. It is maintained by the Council because of its local historical significance.

Rodger Worthingtons Grave, off Hawkshaw Lane in Hawkshaw holds the fragmented remains of a headstone and small plot of land in a rural location. The Grave is also maintained by the Council solely because of its local historical significance.

The Authority does not consider that reliable cost or valuation can be obtained for these historical sites due to their diverse nature and a lack of comparable values on the market. It is likely that a valuation would be difficult and costly and would not produce a meaningful figure.

The Authority has not recognised any Intangible Heritage Assets in the year.

**20. INTANGIBLE FIXED ASSETS**

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

	<b><u>Software Licences</u></b> <b><u>£000's</u></b>
Original cost	<b>8,675</b>
Amortisation to 1st April 2011	(3,403)
Balance at 1st April 2011	<b>5,272</b>
Purchases in year	254

Amortisation in year	(906)
<b>Balance at 31st March 2012</b>	<b>4,620</b>

Expenditure in the year on software licences for new systems totalled £0.254 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>2010/11</u> <u>£000's</u>	<u>2011/12</u> <u>£000's</u>
<b>Balance at 1<sup>st</sup> April</b>	<b>1,149</b>	<b>1,136</b>
Purchases in year	0	0
Net Gain (Loss) from fair value adjustment	(13)	113
<b>Balance at 31<sup>st</sup> March 2011</b>	<b>1,136</b>	<b>1,249</b>

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>2010/11</u> <u>£000's</u>	<u>2011/12</u> <u>£000's</u>
Rental Income from Investment Property	152	138
Direct operating expenses arising from investment property	(2)	(1)
<b>Net gain / (loss)</b>	<b>150</b>	<b>137</b>

## 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 2011	<b>21</b>
Written off to Income and Expenditure A/C	(1)
<b>Balance at 31 March 2012</b>	<b>20</b>



## 23. CAPITAL EXPENDITURE and FINANCING

	<u>2010/2011</u>	<u>2011/2012</u>
	<u>£000's</u>	<u>£000's</u>
Opening Capital Financing Requirement	<b>165,422</b>	<b>171,651</b>
<b><u>Capital Investment</u></b>		
Property, Plant And Equipment Additions In the Year		
Operational Assets	21,623	13,865
Non-operational Assets	4,137	9,812
Intangible Assets	665	255
	<b>26,425</b>	<b>23,932</b>
Housing Reform Settlement	0	78,253
Revenue Expenditure Funded from Capital under Statute	4,217	2,586
Revenue Expenditure Funded from Capital under Statute – Equal Pay back Pay	3,841	56
	<b>34,483</b>	<b>104,827</b>
<b><u>Sources of Finance</u></b>		
Capital Receipts	(44)	(831)
Government Grants and other Contributions	(16,331)	(15,725)
Sums set aside from Revenue including Minimum Revenue Provision	(11,879)	(11,726)
	<b>(28,254)</b>	<b>(28,282)</b>
<b>Closing Capital Financing Requirement</b>	<b>171,651</b>	<b>248,196</b>
<b><u>Explanation of movements in year</u></b>		
Increase in underlying need to borrow		
- supported by Government financial assistance	2,786	0
- unsupported by Government financial assistance	9,304	82,737
Minimum Revenue Provision and other repayments in the year	(5,861)	(6,192)
Increase (decrease)in Capital Financing Requirement	<b>6,229</b>	<b>76,545</b>

At 31<sup>st</sup> March 2012 the Authority had authorised capital expenditure of £14,946 million for 2012/2013 and had also identified a capital investment requirement of £4.340 million for the following years under the approved Capital Programme.

Major capital commitments as at 31<sup>st</sup> March 2012 totalled £6.167 million and include:

- Acquisition of former Fire Station - £0.690m
- Mental Health Services - £0.300m
- Adult Care Information Management System - £0.390m
- Adult/Social Care Projects- £0.720m
- Clarence Park Community Cafe - £0.159m

- Falcon & Griffin Extra Care Scheme - £0.240m
- Empty Homes Strategy - £0.259m
- Millwood Primary New Build - £1.670m
- St Luke's CE Primary - £0.113m
- Higher Lane Centre – Dry Rot - £0.128m
- Short Break Allocation - £0.101m
- Kirklees Trail (Woolfold Gap) - £0.154m
- Radcliffe Heritage - £0.244m
- Philips Park - £0.287m
- Goshen Gymnastics Centre - £0.352m
- Pimhole Renewal Area – £0.204m
- Waste Infrastructure - £0.156m

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 31<sup>st</sup> March:-

<b><u>SERVICE / ASSET</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
<b><u>Children's Services</u></b>		
Nursery Schools	1	1
Primary Schools (Council owned)	30	30
Primary School playing fields (VA, VC etc)	26	26
Secondary Schools (Council owned)	11	10
Secondary School playing fields (VA, VC etc)	2	2
Special Education Establishments	6	7
Youth Centres	5	3
Children & family Centres	1	1
Children's Centres	11	13
Admin Building	5	3
<b><u>Highways &amp; Transportation</u></b>		
<b><u>Roads (km):</u></b>		
Principal	55	55
Non Principal, Classified	71	71
Urban, Unclassified	481	481
Car Parks	60	60
<b><u>Leisure Facilities</u></b>		
Parks & Open spaces (area in hectares)	842	842
Civic Halls	4	4
Sports Centres (with pool)	3	3
Sports Centres (no pool)	1	1
Cemeteries (area in hectares)	35	35
<b><u>Office Accommodation</u></b>		
Administrative Buildings	8	7
<b><u>Arts, Libraries, Lifelong Learning</u></b>		
Art Gallery / Museum	1	1
Adult Learning Centres	1	1
Libraries	14	14
Library / Adult Learning Centre	3	3

<b><u>Property Services</u></b>		
Dwellings	3	3
Small Lettings	1126	1123
Commercial Lettings	362	362
Farms, Grazing	24	21
Poster Sites	18	15
Market Shops & Stalls	475	475
Industrial Factory Units	191	191
<b><u>Adult Care Services</u></b>		
Elderly Persons Homes	4	3
Homes for Adults with Learning Disabilities	2	1
Learning Disability Day Centres	4	5
Day Care Centres	4	4
Admin Buildings	2	2
Resource Centre	1	1
Non Operational	6	7
Hostel for the Homeless	1	1
<b><u>Other Services</u></b>		
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 and other equipment financed under the terms of an operating lease. The amount charged under these arrangements in 2011/2012 was £786,221 (2010/2011 £910,854).

Land and Buildings – the Authority leases numerous buildings, which have been accounted for as operating leases. The rentals payable in 2011/2012 were £1,095,697 (2010/2011 £557,312).

The Authority is committed to making payments of £645,958 under operating leases in 2012/2013 for Vehicles, Plant and Equipment and £1,088,221 for land and Buildings comprising the following elements:

	<b>Land and Buildings £</b>	<b>Vehicles, Plant and Equipment £</b>
Leases expiring in 2012/2013	3,708	159,427
Leases expiring between 2013/2014 and 2017/2018	315,320	486,531
Leases expiring after 2017/2018	769,193	0
<b>TOTAL</b>	<b>1,088,221</b>	<b>645,958</b>

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 2011/2012 were £3,338,398 (2010/2011 £3,423,624).

The gross value of assets held for use in operating leases was £34,604,421. 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 2012.

## 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:

	<b>31 March 2011</b>	<b>31 March 2012</b>
	<b>£000</b>	<b>£000</b>
Vehicles, Plant, Furniture and Equipment	794	420
<b>Total</b>	<b>794</b>	<b>420</b>

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:

	<b>31 March 2011</b>	<b>31 March 2012</b>
	<b>£000</b>	<b>£000</b>
Finance lease liabilities (net present value of minimum lease payments)	728	334
Finance costs payable in future years	77	41
<b>Minimum lease payments</b>	<b>805</b>	<b>375</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000
Not later than 1 year	429	175	393	153
Later than 1 year not later than 5 years	376	200	334	181
Later than 5 years	0	0	0	0
	<b>805</b>	<b>375</b>	<b>727</b>	<b>334</b>

Authority as Lessor:

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

## 27. INVESTMENTS

<b>Investments at 31<sup>st</sup> March: consisted of:-</b>	<b><u>2011</u> <u>£000's</u></b>	<b><u>2012</u> <u>£000's</u></b>
Manchester Airport Group PLC	10,214	10,214
Bury MBC Townside Fields Ltd	10,215	13,343
<b>TOTAL</b>	<b><u>20,429</u></b>	<b><u>23,557</u></b>

**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 2012 showed a loss before tax of £19.2m compared to a profit of £80.6m for the year 2010/2011. The loss after tax for the year was £4.0m compared to a profit after tax of £84.7m for the year 2010/2011. Net assets amounted to £761.1m at the 31<sup>st</sup> March 2012 (the figure at 31<sup>st</sup> March 2011 was £817.0m). Further information can be obtained from the Director of Finance, Manchester Airport (Tel. 0161 489 5833).

**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

<b>Long term debtors:</b>	<b><u>2010/2011</u> <u>£000's</u></b>	<b><u>2011/2012</u> <u>£000's</u></b>
<b>Loan Accounts:</b>		
Car loans (employees)	848	863
Airport Terminal 1	8,411	8,411
Bury Metro Arts Association Ltd	32	106
Bury Music Centre	1	1
Six Town Housing	0	1,140
Housing Loans	519	482
<b>TOTAL</b>	<b><u>9,811</u></b>	<b><u>11,003</u></b>
<b>Short term debtors:</b>		
<b>General Fund:</b>		
Less provision for uncollectable sums	24,410	25,927
Advance payments	(1,682)	(1,831)
	2,791	2,336
<b>Housing Revenue Account:</b>		
Less provision for uncollectable sums	1,211	1,174
	(1,265)	(1,228)
	<b><u>25,465</u></b>	<b><u>26,378</u></b>
<b>Collection Fund:</b>		
Council tax	6,724	6,943
DCLG	2,562	2,624
Precepting	401	393
Less provision for uncollectable sums	(2,896)	(3,173)
	<b><u>6,791</u></b>	<b><u>6,787</u></b>
<b>TOTAL</b>	<b><u>32,256</u></b>	<b><u>33,165</u></b>

## 29. ANALYSIS OF DEBTORS

	<u>2010/11</u>	<u>2011/12</u>
	<u>£000's</u>	<u>£000's</u>
Central Government Bodies	6,091	4,647
Other Local Authorities	2,335	1,757
NHS Bodies	(621)	(863)
Public Corporations and Trading Funds	619	798
Bodies External to General Government	23,832	26,826
<b>TOTALS</b>	<b><u>32,256</u></b>	<b><u>33,165</u></b>

## 30. ANALYSIS OF CREDITORS

	<u>2010/11</u>	<u>2011/12</u>
	<u>(amended)</u>	
	<u>£000's</u>	<u>£000's</u>
Central Government Bodies	5,713	1,590
Other Local Authorities	1,743	1,212
NHS Bodies	1,309	1,418
Public Corporations and Trading Funds	308	474
Bodies External to General Government	20,618	22,455
<b>TOTALS</b>	<b><u>29,691</u></b>	<b><u>27,149</u></b>

## 31. LOANS OUTSTANDING, LONG & SHORT TERM

	<u>2010/2011</u>	<u>2011/2012</u>
	<u>£000's</u>	<u>£000's</u>
Analysis by loan type:		
PWLB loans:		
Bury	94,620	162,754
Airport	5,386	4,958
Market loans	34,609	39,649
Temporary loans	5,012	0
Local bonds	3	3
<b>TOTAL</b>	<b><u>139,630</u></b>	<b><u>207,364</u></b>
<b>Analysed by maturity period:-</b>		
Short Term Loans Outstanding		
Within 1 year	15,597	7,958
Long Term Loans Outstanding		
1/2 years	7,530	7,958

2/3 years	7,826		6,085	
3/4 years	6,085		9,303	
4/5 years	9,302		590	
5/6 years	663		3,058	
6/10 years	13,605		11,210	
10/15 years	4,096		3,634	
15+ years	74,926	124,033	157,699	199,406
<b>TOTAL</b>		<b>139,630</b>		<b>207,364</b>

The PWLB debt at 31<sup>st</sup> March 2012 includes **£4.958 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.

The PWLB debt at year end also includes **£78.253 million** relating to Housing Self Financing loans taken out on the 28<sup>th</sup> March 2012.

### 32. **DEFERRED LIABILITIES**

	<u>2010/2011</u> <u>£000's</u>	<u>2011/2012</u> <u>£000's</u>
Debt ex GMC – Tameside	7,030	6,546
Debt ex Probation Service – Trafford	21	20
Debt ex Inner City Central Station - MCC	87	81
Debt ex Airport GMMDAF	1,043	971
<b>TOTAL</b>	<b>8,181</b>	<b>7,618</b>

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 32) 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>31<sup>st</sup> March</u> <u>2011</u> <u>£000's</u>	<u>Income</u> <u>£000's</u>	<u>Expenditure</u> <u>£000's</u>	<u>31<sup>st</sup> March</u> <u>2012</u> <u>£000's</u>
Chief Executive's	(258)	(80)	0	(338)
Children's Services	(543)	(356)	0	(899)
Adult Care Services	0	(215)	0	(215)
E D S	(18)	(281)	18	(281)
Authority Wide	(608)	0	0	(608)

<b>TOTALS</b>	<b>(1,427)</b>	<b>(932)</b>	<b>18</b>	<b>(2,341)</b>
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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) and additional costs to be made to Greater Manchester Pension Fund (£600,000).

### Long Term Provisions

	<b>31<sup>st</sup> March 2011 £000's</b>	<b>Income £000's</b>	<b>Expenditure £000's</b>	<b>31<sup>st</sup> March 2012 £000's</b>
Liability Insurance	(22,102)	(2,769)	2,058	(22,813)
Property Insurance	(827)	(120)	31	(916)
Children's Services	(335)	(63)	0	(398)
Development Services	(277)	(13)	0	(290)
Equal Pay Back Pay	(14,446)	0	56	(14,390)
Other	(838)	(26)	0	(864)
<b>TOTALS</b>	<b>(38,825)</b>	<b>(2,991)</b>	<b>2,145</b>	<b>(39,671)</b>

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 £2.769m 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 £2.058m 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 £120,000 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 (£358,000), and Bury Safeguarding Children's Board (£40,000).

The main Development Services provision is the Heywood Link Commuted Sum of £249,000 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 2012/13. The expenditure represents payment of claims settled in 2011/12.

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 at</u> <u>31<sup>st</sup> March</u> <u>2011</u> <u>(amended)</u> <u>£000's</u>	<u>Transfers out</u> <u>2011/12</u> <u>£000's</u>	<u>Transfers in</u> <u>2011/12</u> <u>£000's</u>	<u>Balance at</u> <u>31<sup>st</sup> March</u> <u>2012</u> <u>£000's</u>
ABG Top Slice	453	0	1	454
Adult Care Services	4,821	(572)	3,231	7,480
Airport Shares	305	0	0	305
Arts Reserve	19	(15)	0	4
BCCI Reserve	294	(55)	0	239
Chief Executives	418	(418)	320	320
Children's Services	901	(456)	339	784
EDS	2,184	(321)	258	2,121
Education (Schools) Fire	131	0	0	131
Energy Conservation	20	(43)	128	105
Environmental Services	141	(59)	0	82
GM Connexions Partnership	316	(18)	510	808
ICT Access Reserve	46	0	0	46
Leisure	161	(47)	40	154
Local Area Partnership Reserve	1	(1)	0	0
Outwood Viaduct	94	0	8	102
Pay And Grading Reserve	3,384	(450)	1,211	4,145
Performance Reward Reserves	4,454	0	0	4,454
School Catering Reserve	235	(10)	99	324
Transformation Reserve	2,704	(881)	1,413	3,236
	<b>21,082</b>	<b>(3,346)</b>	<b>7,558</b>	<b>25,294</b>
Commuted Sums	1,589	(498)	714	1,805
Other Balances	14,430	(2,926)	187	11,691
<b>TOTALS</b>	<b>37,101</b>	<b>(6,770)</b>	<b>8,459</b>	<b>38,790</b>

The reserves are held for the following purposes:

#### ***Area Based Grant Top Slice Reserve***

The ABG Top Slice Reserve is a reserve set aside to further the objectives of the Local Area Agreement. The grant ceased being paid by the Government in 2011/12.

#### ***Adult Care Services Reserves***

The main Adult Care Services Reserves relate to adult care grants and other external funds received that have not yet been spent, including monies relating to NHS Support for Social Care. There is also an earmarked amount of £834,000 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.

**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 1<sup>st</sup> April 2007 and it is required to show individual net asset balances. The reserve will be credited with amounts resulting 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>2010/2011</u> <u>£000's</u>		<u>2011/2012</u> <u>£000's</u>
<b>197,473</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>199,409</b>
5,301	Upward revaluations in year	6,289
(1,320)	Downward revaluations in the year not charged to (Surplus) / deficit on the Provision of Services	(9,977)
<b>3,981</b>	<b>(Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(3,688)</b>
(2,009)	Difference between Fair value depreciation and historical cost depreciation	(2,101)
0	Impairment Losses	(266)
(36)	Disposal of fixed assets	(12)
<b>(2,045)</b>	<b>Amount written off to Capital Adjustment Account</b>	<b>(2,379)</b>
<b>199,409</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>193,342</b>

**37. CAPITAL ADJUSTMENT ACCOUNT**

The Capital Adjustment Account was created as at **1<sup>st</sup> 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 31<sup>st</sup> March 2007.

The resulting opening balance was a consolidation of revaluation gains on fixed assets up to 31<sup>st</sup> 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 **31<sup>st</sup> March 2007**.

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

<u>2010/2011</u>		<u>2011/2012</u>	
£000's		£000's	
<b>389,201</b>	<b>Balance at 1st April</b>		<b>328,196</b>
(79,414)	Depreciation and Impairment Losses	(27,209)	
0	Revaluation losses on Property, Plant and Equipment	0	
(817)	Amortisation of Intangible Assets	(906)	
(8,058)	Revenue expenditure funded from capital under statute	(2,643)	
0	Housing Revenue expenditure funded from capital under statute	(78,253)	
(1,070)	Disposal of fixed assets	(1,620)	
(257)	Restatement of Value	73	
(1)	Other	(1)	
<b>(89,617)</b>			<b>(110,559)</b>
36	Adjusting amounts written out of the Revaluation Reserve		0
<b>299,620</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>217,637</b>
44	Capital receipts applied to capital investment	831	
5,778	Movement on MRR	4,963	
13,752	Grants applied to capital investment credited to I&E	10,678	
2,470	Grants applied to capital investment from the Capital Grants Unapplied Account	5,047	
109	Provisions used towards capital investment	0	
5,837	Statutory provision for the financing of capital investment charged against General Fund and HRA balances	6,166	
240	Revenue resources applied to capital investment	571	
346	Other movements	0	
<b>28,576</b>			<b>28,256</b>
<b>328,196</b>	<b>Balance at 31st March</b>		<b>245,893</b>

### 38. CAPITAL RECEIPTS UNAPPLIED

The Local Government Act 2003 amended by the Local Authorities (Capital Finance and Accounting) Amendment Regulations 2004 has replaced the previous 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 2011/12 after pooled payments made in the year.

<u>2010/2011</u>		<u>2011/2012</u>
<u>£000's</u>		<u>£000's</u>
1,584	Amounts receivable in 2011/12	1,902
(761)	Pooling of Housing Receipts for the year	(439)
(44)	Amounts applied to finance new capital investment	(831)
<b>779</b>	<b>Total increase/(decrease) in realised capital resources in 2011/12</b>	<b>632</b>
<b>307</b>	Balance brought forward at 1 April 11	<b>1,086</b>
<b>1,086</b>	<b>Balance carried forward at 31 March 12</b>	<b>1,718</b>

### 39. 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>2011/2012</u>
<b>Amounts received in advance in 2011/2012:</b>	<u>£000's</u>
Children's Services grants	4,296
Department for Transport Special Projects	16
DEFRA Environmental projects	46
BIG Lottery Funding (Communities Libraries)	9
Improving Information Management Grant for Adult Care Services	95
Other Contributions	144
<b>Balance carried forward at 31 March 12</b>	<b>4,606</b>

### 40. STATUTORY FINANCIAL INSTRUMENTS 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>2011/2012</u>
	<u>£000's</u>
<b>Balance brought forward</b>	<b>(225)</b>
Annual write-off of discounts	101
Annual write-off of premiums	(20)
Effective Interest Rate adjustments for 2 loans	(1)
<b>Balance carried forward</b>	<b>(145)</b>

#### 41. 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 31<sup>st</sup> March. Statutory arrangements require that the impact on the General fund Balance is neutralised by transfers to or from the Account.

<u>2010/2011</u>		<u>2011/2012</u>
<u>£000's</u>		<u>£000's</u>
5,121	<b>Balance at 1<sup>st</sup> April</b>	4,014
0	Settlement or cancellation of accrual made at the end of the preceding year	0
5,121	<b>Amounts accrued at the end of the current year</b>	4,014
(1,107)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	540
4,014	<b>Balance at 31 March</b>	4,554

#### 42. 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>2010/2011</u>		<u>2011/2012</u>
<u>£000's</u>		<u>£000's</u>
68	Balance at 1 <sup>st</sup> April	214
146	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	394
214	<b>TOTAL</b>	<b>608</b>

#### **43. CONTINGENT LIABILITIES**

##### Municipal Mutual Insurance Ltd

On 30<sup>th</sup> September 1992 the Authority's then insurers, MMI Ltd., announced that they were no longer accepting new business. The Authority has 10 outstanding claims with MMI totalling £30,021 as at 31<sup>st</sup> March 2012. 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 **£1,985,551** in respect of claims previously settled. A litigation case was considered by the Supreme Court on 28 March 2012 which found against the company. The MMI Board of Directors is now seeking legal, financial and actuarial advice from its professional advisors in order to determine the full implications of the judgement and the most appropriate way forward for the company, which is expected to take some time. At the present time it is not known whether the claw back clause will be invoked and therefore no provision for the potential liability has been made in the balance sheet.

##### 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 Claims

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

An amount of £208,000 is being claimed by a building contractor for preliminaries in connection with a Council House refurbishment scheme.

The Authority is disputing the validity of these claims and has made no provision for potential liability in the accounts at this stage.

#### **44. TRUST FUNDS**

The Council acts as a custodian trustee for 19 trust funds and as one of several trustees for a further five funds. As a custodian trustee the Council holds the property but takes no decisions on its use. In neither case do the funds represent the assets of the Council and therefore have not been included in the Balance Sheet.

## Funds for which the Council acts as custodian trustee:

<b>2010/11</b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>Assets £000</b>	<b>Liabilities £000</b>
<b>Rigby Trust</b> Established in 2006 for the help and comfort of the elderly of Bury	2	0	368	0
<b>British Cotton Growers</b> Established in 1906 for the education and health of children and young people in Ramsbottom	1	0	115	0
<b>John Kay</b> To fund student scholarships	0	0	39	0
<b>Mayor's Charity Fund</b> Established in 1952 to allow the Mayor of Bury to make charitable donations to local organisations and individuals	8	8	34	0
<b>Prestwich &amp; District Sick Poor Fund</b> Established in 1953 to benefit sick or poor persons in the borough of Prestwich	0	0	11	0
<b>Thomas Openshaw</b> For the upkeep of parkland	0	0	7	0
<b>Annie Shore</b> For the education and training of young people from Ramsbottom	0	0	5	0
<b>Fletcher Bequest</b> Established in 1983 for the upkeep of parkland	0	0	4	0
<b>Cemetery Fund</b> For cemetery maintenance	0	0	3	0
<b>War Memorial</b> Established in 1962 for the maintenance of Radcliffe war memorial	0	0	3	0
<b>Hartley Gardens</b> For the upkeep of parkland	0	0	1	0
<b>Samuel Kay</b> For the funding of arts and libraries	0	0	1	0
<b>A.E.Davies</b> Established in 1899 for the provision of library materials	0	0	1	0
<b>James A. McDonald</b> To fund an annual employee award	0	0	1	0
<b>Maintenance of Graves</b> For cemetery maintenance	0	0	1	0
<b>David Burton Memorial</b> Established in 2004 to fund an annual employee award	0	0	1	0
<b>Others:</b>	0	0	1	0
<b>Total</b>	<b>11</b>	<b>8</b>	<b>596</b>	<b>0</b>
<b>Other Funds:</b>			<b>£000</b>	
<b>Hollins Institute Education Fund</b>			160	



Promotion of education in Hollins and surrounding areas	
<b>Henry Howarth</b> For education and training of young people from Ramsbottom	1
<b>Others</b>	2
<b>Total</b>	<b>163</b>

### Funds for which the Council acts as custodian trustee:

<b>2011/12</b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>Assets £000</b>	<b>Liabilities £000</b>
<b>Rigby Trust</b> Established in 2006 for the help and comfort of the elderly of Bury	2	0	370	0
<b>British Cotton Growers</b> Established in 1906 for the education and health of children and young people in Ramsbottom	1	0	116	0
<b>John Kay</b> To fund student scholarships	0	0	39	0
<b>Mayor's Charity Fund</b> Established in 1952 to allow the Mayor of Bury to make charitable donations to local organisations and individuals	8	3	39	0
<b>Prestwich &amp; District Sick Poor Fund</b> Established in 1953 to benefit sick or poor persons in the borough of Prestwich	1	0	11	0
<b>Thomas Openshaw</b> For the upkeep of parkland	0	0	7	0
<b>Annie Shore</b> For the education and training of young people from Ramsbottom	0	0	5	0
<b>Fletcher Bequest</b> Established in 1983 for the upkeep of parkland	0	0	4	0
<b>Cemetery Fund</b> For cemetery maintenance	0	0	3	0
<b>War Memorial</b> Established in 1962 for the maintenance of Radcliffe war memorial	0	0	3	0
<b>Hartley Gardens</b> For the upkeep of parkland	0	0	1	0
<b>Samuel Kay</b> For the funding of arts and libraries	0	0	1	0
<b>A.E.Davies</b> Established in 1899 for the provision of library materials	0	0	1	0
<b>James A. McDonald</b> To fund an annual employee award	0	0	1	0
<b>Maintenance of Graves</b> For cemetery maintenance	0	0	1	0

<b>David Burton Memorial</b> Established in 2004 to fund an annual employee award	0	0	1	0
<b>Others:</b>	0	0	1	0
<b>Total</b>	<b>12</b>	<b>3</b>	<b>604</b>	<b>0</b>
<b>Other Funds:</b>			<b>£000</b>	
<b>Hollins Institute Education Fund</b> Promotion of education in Hollins and surrounding areas			160	
<b>Henry Howarth</b> For education and training of young people from Ramsbottom			1	
<b>Others</b>			2	
<b>Total</b>			<b>163</b>	

## 45. 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. 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**

	<b>Long-Term</b>		<b>Current</b>		<b>Total</b>	
	<b>31<sup>st</sup> March 2011</b>	<b>31<sup>st</sup> March 2012</b>	<b>31<sup>st</sup> March 2010</b>	<b>31<sup>st</sup> March 2012</b>	<b>31<sup>st</sup> March 2011</b>	<b>31<sup>st</sup> March 2012</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Borrowings</b>						
Financial liabilities at amortised cost	122,652	197,976	16,978	9,388	139,630	207,364
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
<b>Total borrowings</b>	<b>122,652</b>	<b>197,976</b>	<b>16,978</b>	<b>9,388</b>	<b>139,630</b>	<b>207,364</b>
<b>Investments</b>						
Loans and receivables	8,411	8,411	37,302	24,228	45,713	32,639
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
<b>Total investments</b>	<b>18,625</b>	<b>18,625</b>	<b>37,302</b>	<b>24,228</b>	<b>55,927</b>	<b>42,853</b>

### 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 2011 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**

2011/2012	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	(6,479)	0	0	0	(6,479)
Losses on derecognition	0	0	0	0	0
Impairment losses	0	0	0	0	0
<b>Interest payable and similar charges</b>	<b>(6,479)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,479)</b>
Interest income	0	3,157	0	0	3,157
Gains on derecognition	0	0	0	0	0
<b>Interest and investment income</b>	<b>0</b>	<b>3,157</b>	<b>0</b>	<b>0</b>	<b>3,157</b>
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
<b>Surplus arising on revaluation of financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net gain/(loss) for the year</b>	<b>(6,479)</b>	<b>3,157</b>	<b>0</b>	<b>0</b>	<b>(3,322)</b>

**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**

	31 <sup>st</sup> March 2011		31st March 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
LOBO Loans	34,609	41,756	39,649	41,849
PWLB Loans	100,005	101,937	167,712	168,644
Temporary Loans	5,013	5,012	0	0
Local Bonds	3	3	3	3
<b>Financial liabilities</b>	<b>139,630</b>	<b>148,708</b>	<b>207,364</b>	<b>210,496</b>

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 2011		31st March 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Call Investments	6,887	6,887	4,194	4,194
Fixed Investments	25,410	25,456	20,035	20,126
Term Deposit	5,005	5,007	0	0
Manchester Airport Loan	8,411	8,411	8,411	8,411
<b>Financial assets</b>	<b>45,713</b>	<b>45,761</b>	<b>32,640</b>	<b>32,731</b>

The fair value is **higher/lower** than the carrying amount because the Councils portfolio of investments includes a number of fixed rate loans where the interest rate 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)**

	<b>Amounts at 31 March 2012</b>	<b>Historical experience of default</b>	<b>Historical experience adjusted for market conditions as at 31 March 2012</b>	<b>Estimated maximum exposure to default and uncollectability</b>
	<b>£000s</b>	<b>%</b>	<b>%</b>	<b>£000s</b>
Deposits with banks and other financial institutions	24,229	0.00%	0.00%	0
Bonds and other securities	0	0.00%	0.00%	0
Sundry Debtors	33,113	0.76%	0.76%	252
<b>Total</b>	<b>57,342</b>			<b>252</b>

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 £33.165m a main risk of losses relates to system debtors of £7.970m. The Council does not generally allow credit for customers, such that **£7.573m** of the **£7.970m** 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)**

	<b>31 March 2012</b>
	<b>£000s</b>
Less than three months	4,113
Three to four months	154
Four months to one year	1,020
More than one year	2,286
<b>Total</b>	<b>7,573</b>

## **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**

<b>On 31 March 2011</b>	<b>Loans outstanding</b>	<b>On 31 March 2012</b>
<b>£000s</b>		<b>£000s</b>
98,753	Public Works Loans Board	166,619
34,000	LOBO Loans	39,000
5,000	Market Debt	0
3	Local bonds	3
<b>137,756</b>	<b>Total</b>	<b>205,622</b>
15,388	Less than 1 year	7,928
7,928	Between 1 and 2 years	8,251
24,683	Between 2 and 5 years	17,261
12,005	Between 5 and 10 years	11,176
77,752	More than 10 years	161,006
<b>137,756</b>	<b>Total</b>	<b>205,622</b>

## **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 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

**TABLE 8 – INTEREST RATE RISK**

	<b>£000s</b>
Increase in interest payable on variable rate borrowings	759
Increase in interest receivable on variable rate investments	(304)
Increase in government grant receivable for financing costs	(18)
<b>Impact on Comprehensive Income and Expenditure Statement</b>	<b>437</b>
<b>Share of overall impact credited to the HRA</b>	<b>183</b>
Decrease in fair value of 'available for sale' investment assets	0
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>0</b>
Decrease in fair value of fixed rate investment assets (no impact on Comprehensive Income and Expenditure Statement)	76
Decrease in fair value of fixed rate borrowing liabilities (no impact on Comprehensive Income and Expenditure Statement)	26,421

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.



#### 46. 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>2010/2011</u> <u>Amended</u> <u>£000's</u>	<u>2011/12</u>	
	<u>£000's</u>	<u>£000's</u>
<b>(3,817) (SURPLUS) /DEFICIT FOR THE YEAR ON PROVISION OF SERVICES</b>		<b>(8,029)</b>
<b>Non Cash Movements in I &amp; E Statement:</b>		
(81,016) Provision for Depreciation & Impairment of Fixed Assets	(24,311)	
2,499 Other Provisions	(1,760)	
5,390 Minimum Revenue Provision	5,709	
(9,215) Contributions from / (to) Revenue Reserves	(6,411)	
71,929 Other General Fund Items	28,010	
(3,451) Other non-cash Movements	2,984	
<b>(13,864)</b>		<b>4,221</b>
<b>Movements in Current Assets and Liabilities:</b>		
33 Increase / (Decrease) in Stock	40	
(741) Increase / (Decrease) in Revenue Debtors	617	
0 (Increase) / Decrease in Revenue Grants Received in Advance	2,702	
5,390 (Increase) / Decrease in Revenue Creditors & Advance Receipts	3,340	
<b>4,682</b>		<b>6,699</b>
<b>Items shown elsewhere in the Cash Flow Statement:</b>		
(4,501) Interest Paid	(4,871)	
2,975 Interest Received	3,157	
1,000 Dividend Income	1,000	
0 HRA Self Financing Settlement	78,253	
<b>(526)</b>		<b>77,539</b>
<b>(13,525) NET CASH INFLOW FROM REVENUE ACTIVITIES</b>		<b>80,430</b>

#### 47. ANALYSIS OF NET DEBT

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

	<u>31<sup>st</sup> March</u> <u>2011</u> <u>£000's</u>	<u>Receipts</u> <u>£000's</u>	<u>Payments</u> <u>£000's</u>	<u>Other</u> <u>Movements</u> <u>£000's</u>	<u>31<sup>st</sup> March</u> <u>2012</u> <u>£000's</u>
Cash Overdrawn	<b>(3,889)</b>	7,810	(12,709)	0	<b>(8,788)</b>
Cash & Cash Equivalents	<b>8,319</b>	(2,179)	0	0	<b>6,140</b>
Debt Due Beyond One Year	<b>(124,032)</b>	(83,253)	10,388	(2,509)	<b>(199,406)</b>
Debt Due Within One Year	<b>(15,597)</b>	(21,300)	26,300	2,639	<b>(7,958)</b>
Long Term Debtors	<b>9,962</b>	1,358	0	0	<b>11,320</b>
Current Asset Investments	<b>30,415</b>	(10,380)	0	0	<b>20,035</b>
<b>TOTALS</b>	<b>(94,822)</b>	<b>(107,944)</b>	<b>23,979</b>	<b>130</b>	<b>(178,657)</b>

#### 48. RECONCILIATION OF NET DEBT

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

<u>2010/2011</u> <u>Restated</u> <u>£000's</u>	<u>2011/2012</u> <u>£000's</u>
(2,453) (Increase)/ Decrease in Cash Overdrawn in the Year to 31 <sup>st</sup> March	(7,078)
(6,672) (Increase)/Decrease in Debt	(66,377)
<u>15,508 Increase/(Decrease) in Investments</u>	<u>(10,380)</u>
<b><u>6,383 Change in Net Debt</u></b>	<b><u>(83,835)</u></b>
(101,205) Net Debt at 1 <sup>st</sup> April	(94,822)
<u>(94,822) Net Debt at 31<sup>st</sup> March</u>	<u>(178,657)</u>
<b>6,383 Movement in Net Debt</b>	<b>(83,835)</b>

#### 49. ANALYSIS OF GOVERNMENT GRANTS

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

<u>2010/2011</u> <u>£000's</u>	<u>2011/2012</u> <u>£000's</u>
31,256 Housing Benefits	36,276
14,277 Council Tax Benefits	14,493
1,369 Children's Social Care	8,166
148,330 Education Grants	138,420
5,131 Adult Care Services	5,080
21 Probation	20
25 SRB/ERDF	0
5,989 Supporting People	0
<u>4,060 Other Grants</u>	<u>4,182</u>
<b><u>210,458 TOTAL</u></b>	<b><u>206,637</u></b>

#### 50. 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>31<sup>st</sup> March</u> <u>2011</u> <u>£000's</u>	<u>31<sup>st</sup> March</u> <u>2012</u> <u>£000's</u>	<u>Movement</u> <u>£000's</u>
Bank Overdraft	(3,889)	(8,788)	4,899
Cash and Cash Equivalents	8,319	6,140	2,179
<b>TOTALS</b>	<b>4,430</b>	<b>(2,648)</b>	<b>7,078</b>

# **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.

<b><u>2010/2011</u></b> <b><u>£000's</u></b>		<b><u>2011/2012</u></b> <b><u>£000's</u></b>	<b>Note</b>
	<b><u>Income</u></b>		
25,462	Dwelling Rents (gross)	26,959	<b>1,2,9</b>
222	Non-Dwelling Rents	239	
830	Charges for Services and Facilities	812	
139	Contributions towards expenditure	46	
<b><u>26,653</u></b>	<b>Total Income</b>	<b><u>28,056</u></b>	
	<b><u>Expenditure</u></b>		
6,818	Repairs and Maintenance	6,832	
8,232	Supervision and Management	7,742	
50	Rents, Rates, taxes & other charges	52	
4,844	Negative Housing Revenue Account subsidy payable	6,480	<b>8</b>
60,450	Depreciation and Impairment of fixed assets	16,257	<b>5,6</b>
16	Debt management costs	18	
29	Increased Provision for Bad & Doubtful Debts	117	<b>9</b>
0	Sums Directed – Settlement payment to Government for HRA self financing	78,253	
<b><u>80,439</u></b>	<b>Total Expenditure</b>	<b><u>115,751</u></b>	
<b><u>53,786</u></b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b><u>87,695</u></b>	
11	HRA services share of Corporate and Democratic Core	11	
<b><u>53,797</u></b>	<b>Net Cost of HRA Services</b>	<b><u>87,706</u></b>	
	<b>HRA Share of Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
1,733	Interest payable and other	1,632	

	similar charges	
(23)	Interest and investment income	(17)
<b>55,507</b>	<b>(Surplus) or Deficit for the year on HRA Services</b>	<b>89,321</b>

### Movement on the HRA Statement

<u>2010/2011</u> <u>£000's</u>		<u>2011/2012</u> <u>£000's</u>
<b>(781)</b>	<b>Balance on the HRA at the end of the previous year</b>	<b>(688)</b>
55,507	(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement	89,321
(55,375)	Adjustments between accounting basis and funding basis under regulations	(89,359)
<b>132</b>	<b>Net increase or (decrease) before transfers to or from reserves</b>	<b>(38)</b>
(39)	Transfers (to) or from reserves	(39)
<b>93</b>	<b>(Increase) or decrease in year on the HRA</b>	<b>(77)</b>
<b>(688)</b>	<b>Balance on the HRA at the end of the current year</b>	<b>(765)</b>

### Note to the Movement on the HRA Statement

<u>2010/2011</u> <u>£000's</u>		<u>2011/2012</u> <u>£000's</u>	<u>Note</u>
	<b>Adjustments between accounting basis and funding basis under regulations</b>		
(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	(34)	
(55,504)	Reversal of impairment losses	(11,256)	
	Reversal of self financing payment to Government	(78,253)	
188	Capital expenditure funded by the HRA	184	
<b>(55,375)</b>		<b>(89,359)</b>	
(39)	Transfer from Major Repairs Reserve	(39)	<b>3</b>
<b>(39)</b>		<b>(39)</b>	

## 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 31<sup>st</sup> March were: -

<u>2010/2011</u>		<u>2011/2012</u>
	<b>Flats and Maisonettes</b>	
2,310	1 Bedroom	2,311
829	2 Bedrooms	827
60	3 Bedrooms	60
226	Bedsitters	226
	<b>Houses &amp; Bungalows</b>	
807	1 Bedroom	807
1,851	2 Bedrooms	1,845
2,207	3 Bedrooms or more	2,202
<b>8,290</b>	<b>TOTAL</b>	<b>8,278</b>

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

The total capital receipts realised from the disposal of Council houses during the year was **£0.630 million**. This figure represents a decrease in the region of 157% compared to the 2010/11 figure of £1.116million. 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>2010/2011</u>		<u>2011/2012</u>
<u>£000's</u>	Total Balance Sheet value as at 1 <sup>st</sup> April 2011	<u>£000's</u>
271,616	Dwellings	220,000
1,449	Shops, Offices and Garage Colonies	1,457
<b>273,065</b>	<b>Total Operational Assets</b>	<b>221,457</b>
5,965	Additions	5,016
60	Certificated Revaluation – Shops and Offices	51
(45,916)	Housing Stock Revaluations	(11,100)
(4,945)	Depreciation	(5,000)
(5,965)	Impairments	(5,016)
(807)	Sale of Council Houses	(364)
0	Sale of other Council Housing assets	0
<b>221,457</b>	<b>Balance Sheet Value as at 31<sup>st</sup> March 2012</b>	<b>205,044</b>
220,000	Dwellings	203,575
1,457	Shops, Offices and Garage Colonies	1,469
<b>221,457</b>	<b>Total Operational Assets</b>	<b>205,044</b>

## 2. VACANT POSSESSION

- (i) The Vacant Possession Value (VPV) of dwellings within the Council's HRA as at 1<sup>st</sup> April 2011 was £596.8million representing an approximate decrease of 7.5% over the 1<sup>st</sup> April 2010 figure of £644.9million. 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>2010/2011</u>	<u>£000's</u> <u>2011/2012</u>
<b>891 Balance as at 1<sup>st</sup> April 2011</b>	<b>20</b>
4,945 Transferred to MRR during the year	5,000
0 Credit in respect of General Fund depreciation	0
(39) Transferred from MRR to HRA during the year	(39)
(5,777) Debits in respect of capital expenditure within HRA	(4,963)
<b>20 Balance as at 31<sup>st</sup> March 2012</b>	<b>18</b>

## 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>2010/2011</u>	<u>£000's</u> <u>2011/2012</u>
<b>5,965 Total Capital expenditure within the HRA</b>	<b>5,016</b>
<b>Financed By:</b>	
0 External Contributions	225
187 Revenue Contributions	184
5,778 Major Repairs Reserve	4,607
<b>5,965 Total</b>	<b>5,016</b>

## 5. DEPRECIATION

Authorities are required to charge depreciation on all HRA properties calculated in accordance with proper practices, including non-dwelling properties. In 2011/12, the total charge for depreciation for council houses was £4,961,267 (£4,906,143 in 2010/11) and for other property was £38,779 (£39,031 in 2010/11). 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 32-year useful life, and is considered to be a reasonable approximation.

## 6. IMPAIRMENT CHARGES

Impairment charges of £5.016 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.

## 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 2011/2012

<u>£000's</u> <u>2010/2011</u>	<u>£000's</u>	<u>£000's</u> <u>2011/2012</u>
4,528 Management Allowance	4,651	
8,303 Maintenance Allowance	8,332	
4,906 Major Repairs Allowance	4,961	
<b>17,737</b>		<b>17,944</b>
2,448 Charges for Capital	2,318	
0 Admissible Allowance	0	
0 Rent Rebates	0	
0 Other items of reckonable expenditure	0	
0 Rental Constraint Allowance	0	
<b>2,448</b>		<b>2,318</b>
(25,111) Guideline Rent Income	(26,739)	
(4) Interest on Receipts	(3)	
<b>(25,115)</b>		<b>(26,742)</b>
<b>(4,930) Subsidy Receivable / (Payable) to DCLG</b>		<b>(6,480)</b>
0 Prior Year Adjustments		0
<b>(4,930) Total Subsidy Receivable / (Payable) to DCLG</b>		<b>(6,480)</b>



## 9. RENT ARREARS / BAD DEBT PROVISION

### RENT ARREARS

The rent arrears as at 1 April, 2011 totalled £846,068 and at 31 March, 2012 they totalled £820,659. 54.00% of the arrears at 31 March 2012 related to current tenants (53.53% at 31<sup>st</sup> March 2011) and 46.00% related to former tenants (46.47% at 31<sup>st</sup> March 2011). The figures stated represent gross arrears and are not shown net of advances as in previous years.

### BAD DEBT PROVISION

<u>£000's</u> <u>2010/2011</u>	<u>£000's</u> <u>2011/2012</u>	<u>£000's</u> <u>2011/2012</u>
<b>708 Opening Bad Debt Provision</b>		<b>546</b>
29 Charged to HRA	117	
(231) Written off	(179)	
40 Reinstated previously written off amount	110	
<b>(162) Net decrease</b>		<b>48</b>
<b>546 Closing Bad Debt Provision</b>		<b>594</b>

# **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.

<b><u>INCOME AND EXPENDITURE ACCOUNT</u></b>			
<b><u>2010/2011</u></b>		<b><u>2011/2012</u></b>	<b><u>Note</u></b>
<b><u>£000's</u></b>		<b><u>£000's</u></b>	
	<b><u>INCOME</u></b>		
(73,052)	Income from Council Tax Payers	(72,948)	<b>1</b>
0	Community Charge Payers	0	
	Transfers from General Fund		
(14,282)	Council Tax Benefit	(14,494)	
(0)	Other Income	(0)	
<u>(43,458)</u>	Income from NNDR payers	<u>(48,269)</u>	<b>2</b>
<b><u>(130,792)</u></b>	<b>TOTAL INCOME</b>	<b><u>(135,711)</u></b>	
	<b><u>EXPENDITURE</u></b>		
87,240	Precepts on the Collection Fund	87,277	<b>3</b>
	NNDR		
43,228	Payments to National Pool	48,034	
230	Cost of Collection	235	
2	Interest Payable net of refunds	0	
	Bad and Doubtful Debts		
277	Increased/(Reduced) Provision	743	
	Transfer of Previous Year's Estimated Surplus / (Deficit)		
0	To General Fund	0	
<u>0</u>	To Major Preceptors	<u>0</u>	
<b><u>130,977</u></b>	<b>TOTAL EXPENDITURE</b>	<b><u>136,289</u></b>	
<b>185</b>	<b>FUND DEFICIT/ (SURPLUS) FOR THE YEAR</b>	<b>578</b>	
<b>0</b>	<b>PRIOR YEAR ADJUSTMENT</b>	<b>0</b>	
<u>209</u>	<b>BALANCE BROUGHT FORWARD</b>	<u>394</u>	
<b><u>394</u></b>	<b>BALANCE CARRIED FORWARD</b>	<b><u>972</u></b>	

## NOTES TO THE COLLECTION FUND

### 1. COUNCIL TAX

The Council Tax was introduced on 1<sup>st</sup> April 1993 to replace the Community Charge and is a tax on property values. Dwellings were valued at their open market values as at 31<sup>st</sup> 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	24,464	6/9	16,309
B	£40,000 to £52,000	15,784	7/9	12,276
C	£52,000 to £68,000	15,453	8/9	13,736
D	£68,000 to £88,000	8,137	1	8,137
E	£88,000 to £120,000	4,879	11/9	5,963
F	£120,000 to £160,000	1,689	13/9	2,440
G	£160,000 to £320,000	1,201	15/9	2,002
H	More than £320,000	138	18/9	276
		<b>71,745</b>		<b>61,139</b>
	Less allowance for losses on collection			(1,226)
	<b>COUNCIL TAX BASE 2011/2012</b>			<b>59,913</b>

- i) The actual number of properties was 81,260 but after adjusting for single person discounts, empty properties etc, the notional number of dwellings is 71,745.
- ii) The Band D Council Tax levied for the year was **£1,456.73** (£1,456.73 in 2010/2011).

### 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 2011/2012 was **43.3p** in the pound (41.4p in 2010/2011) and at 31<sup>st</sup> March 2012 the estimated non-domestic rateable value of the Borough was **£133,203 million** (£131,620 million at 31<sup>st</sup> March 2011). In addition in 2011/12 the Small Business Rate was set at **42.6p** in the pound (40.7p for 2010/11). 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>2010/2011</u> <u>£000's</u>	<u>2010/2012</u> <u>£000's</u>
Bury Council	75,443	75,475
Greater Manchester Police Authority	8,644	8,647
Greater Manchester Fire & Civil Defence Authority	3,153	3,155
<b>TOTAL</b>	<b>87,240</b>	<b>87,277</b>

# **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 127.

Also included in the group accounts is Bury MBC Townside Fields Limited. The company was incorporated on the 14<sup>th</sup> 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 2011 to 31 March 2012, 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. The company's financial year is the same as Bury Council.

#### **4. Accounts**

Six Town Housing's Statement of Accounts 2011/2012 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 2011/12 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 31<sup>st</sup> March 2012 have been used to prepare the group accounts. The company's auditors are Horsfield and Smith.



## GROUP MOVEMENT IN RESERVES STATEMENT

2011/12	<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 <sup>st</sup> April 2011	12,809	40,710	688	(393)	1,086	20	622	55,542	396,219	451,761
<b><u>Movement in reserves during 2011/12</u></b>										
Surplus / (deficit) on the provision of services	8,029	592	0	0	0	0	0	8,621	0	8,621
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(155,328)	(155,328)
<b>Total Comprehensive Income and Expenditure</b>	<b>8,029</b>	<b>592</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,621</b>	<b>(155,328)</b>	<b>(146,707)</b>
Adjustments between Group accounts and Authority accounts	0	0	0	0	0	0	0	0	0	0
<b>Net increase / decrease before transfers</b>	<b>8,029</b>	<b>592</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,621</b>	<b>(155,328)</b>	<b>(146,707)</b>
Adjustments between accounting basis & funding basis under regulations	1,092	0	77	0	631	(2)	4,722	6,520	(6,520)	0
<b>Net increase / decrease before transfers to earmarked reserves</b>	<b>9,121</b>	<b>592</b>	<b>77</b>	<b>0</b>	<b>631</b>	<b>(2)</b>	<b>4,722</b>	<b>15,141</b>	<b>(161,848)</b>	<b>(146,707)</b>
Transfers to / from ear-marked reserves	(3,895)	(2,424)	0	(579)	1	0	0	(6,897)	6,897	0
<b>Increase / decrease (movement) in 2011/12</b>	<b>5,226</b>	<b>(1,832)</b>	<b>77</b>	<b>(579)</b>	<b>632</b>	<b>(2)</b>	<b>4,722</b>	<b>8,244</b>	<b>(154,951)</b>	<b>(146,707)</b>
Balance at 31 March 2012 carried forward	18,035	38,878	765	(972)	1,718	18	5,344	63,786	241,268	305,054



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

<b>2010/2011</b> <b>£000's</b>		<b>2011/2012</b> <b>£000's</b>
(3,817)	(Surplus) / deficit for the year on the Authority Comprehensive Income and Expenditure Statement	(8,029)
0	Adjustments for transactions with other group entities	0
(3,817)	Surplus / Deficit on provision of services in the Group Comprehensive Income and Expenditure Statement attributable to the Authority	(8,029)
(2,333)	(Surplus) / deficit on provision of services in the Group Comprehensive Income and Expenditure Statement attributable to group entities (adjusted for intra-group transactions):	(592)
	Subsidiaries	
	Associates	
	Joint Venture	
<b>(6,150)</b>	(Surplus) / Deficit on provision of services for the year on Group Comprehensive Income and Expenditure Statement	<b>(8,621)</b>

## GROUP BALANCE SHEET AT 31<sup>ST</sup> MARCH 2012

<b>31/3/2011</b>		<b>31/3/2012</b>			
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>Note</b>
	<b>PROPERTY, PLANT &amp; EQUIPMENT</b>				
5,272	Intangible Fixed Assets	4,620	<b>4,620</b>		
1,136	Investment Property	12,504	<b>12,504</b>		
	<i>Tangible Fixed Assets</i>				
	Operational Assets:				
221,457	Council Dwellings	205,044			
357,057	Other Land & Buildings	350,107			
31,600	Infrastructure Assets	29,830			
3,652	Vehicles & Plant	4,339			
554	Community Assets	554			
42,890	Non-Operational Assets	45,290			
18,652	Assets under construction	24,067			
23,760	Heritage Assets	23,760			
2,016	Surplus assets held for disposal	405			
<b>708,046</b>	<b>TOTAL FIXED ASSETS</b>		<b>683,396</b>	<b>700,520</b>	
	<b>LONG TERM INVESTMENTS</b>				
10,214	Manchester Airport PLC		10,214		
<b>10,214</b>				<b>10,214</b>	
	<b>LONG TERM DEBTORS</b>				
130	Long term Debtors - General		297		
9,811	Loan Accounts		9,863		
21	Debt Managed for Probation Services		20	<b>10,180</b>	
<b>9,962</b>					
	<b>CURRENT ASSETS</b>				
1,283	Stocks & Work in Progress	1,320			
72	Assets Held for Sale	2,299			
31,946	Sundry Debtors & Advance Payments	31,592			
30,415	Short Term Investments	20,035			
14,203	Cash And Cash Equivalents	12,023			
<b>77,919</b>			<b>67,269</b>		
	<b>LESS : CURRENT LIABILITIES</b>				
(15,597)	Short Term Loans Outstanding	(7,958)			
(221)	Deposits & Clients' Funds	(159)			
(1,427)	Short Term Provisions	(2,341)			
(30,317)	Sundry Creditors & Advance Receipts	(29,929)			
(3,983)	Revenue Grant Receipts in Advance	(1,281)			
(3,889)	Bank Accounts	(8,788)			
<b>(55,434)</b>			<b>(50,456)</b>		
<b>22,485</b>	<b>NET CURRENT ASSETS</b>			<b>16,813</b>	
<b>750,707</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>737,727</b>	
	<b>LESS: LONG TERM LIABILITIES</b>				
(124,032)	External Loans Outstanding		(199,406)		
(14,097)	Capital Grants Receipts in Advance		(4,606)		
(728)	Finance Lease Liabilities		(334)		
(8,181)	Deferred Liabilities		(7,618)		
(113,083)	Pension Liability		(181,038)		
(38,825)	Long Term Provisions		(39,671)		
<b>(298,946)</b>			<b>(432,673)</b>		
<b>451,761</b>	<b>TOTAL NET ASSETS</b>			<b>305,054</b>	

<b>31/3/2011</b>		<b>31/3/2012</b>		
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>Note</b>
	<b>FINANCED BY :</b>			
	<b>USABLE RESERVES</b>			
(21,082)	Earmarked Reserves		(25,294)	
(1,086)	Capital Receipts Unapplied		(1,718)	
(622)	Capital Grants Unapplied		(5,344)	
(12,809)	General Fund		(18,035)	
(688)	Housing Revenue Account		(765)	
(20)	Major Repairs Reserve		(18)	
(1,589)	Competitive Services / Commuted Sums		(1,805)	
393	Collection Fund Balance		972	
(18,039)	Other Balances		(11,779)	
<b>(55,542)</b>				<b>(63,786)</b>
	<b>UNUSABLE RESERVES</b>			
(199,409)	Revaluation Reserve		(193,342)	
(328,196)	Capital Adjustment Account		(245,893)	
(225)	Financial Instruments Adjustment Reserve		(146)	
214	Collection Fund Adjustment Account		608	
4,014	Accumulated Absences		4,554	
113,000	Pension Reserve		178,600	
14,446	Equal Pay Back Pay Reserve		14,390	
(63)	Deferred Capital Receipts		(39)	
<b>(396,219)</b>				<b>(241,268)</b>
<b>(451,761)</b>	<b>TOTAL RESERVES AND BALANCES</b>			<b>(305,054)</b>

## GROUP CASH FLOW STATEMENT

<u>2010/11</u>	<u>2011/2012</u>		
<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
<b><u>OPERATING ACTIVITIES</u></b>			
<b>Cash Outflows:</b>			
195,464	Cash Paid to and on behalf of Employees	186,556	
279,308	Cash Paid for Goods and Services	313,296	
31,213	Housing Benefit paid out	38,232	
0	VAT payments (BMBCTF)	99	
4,501	Interest Paid	4,946	
0	Corporation Tax (STH)	6	
761	Payments to Housing Capital Receipts Pool	439	
1,570	Net Increase / (Decrease) in Council Tax Liquid Resources	1,589	
<b>512,817</b>	<b>Cash Outflows Generated from Operating Activities</b>		<b>545,163</b>
<b>Cash Inflows:</b>			
(25,240)	Rents (after Rebates)	(26,721)	
(62,825)	Council Tax Receipts (excl major preceptors share of receipts)	(62,735)	
(1,244)	VAT Receipts (BMBCTF)	(729)	
(14)	Corporation Tax	0	
(57,753)	NNDR Receipts from National Pool	(51,801)	
(8,386)	Revenue Support Grant	(16,012)	
(45,533)	DWP Grants for Benefits	(50,769)	
(1,450)	Government Grant (Six Town Housing)	0	
(164,925)	Other Government Grants	(155,868)	
(2,999)	Interest Received	(3,207)	
(1,000)	Airport Dividend Received	(1,000)	
(157,139)	Cash Received for Goods and Services	(98,599)	
<b>(528,508)</b>	<b>Cash Inflows Generated from Operating Activities</b>		<b>(467,441)</b>
<b>(15,691)</b>	<b>(INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES</b>		<b>77,722</b>
<b><u>INVESTING ACTIVITIES</u></b>			
21,623	Purchase of Fixed Assets		13,705
332	Capital Expenditure (Six Town Housing)		3,848
3,791	Purchase of Long Term Investments		3,128
15,508	Net Increase / (Decrease) in Short Term Deposits		(10,380)
(1,584)	Proceeds of Sale of Fixed Assets		(1,901)
(16,686)	Capital Grants received		(11,527)
<b>22,984</b>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(3,127)</b>
<b><u>FINANCING ACTIVITIES</u></b>			
Repayments of amounts borrowed:			
7,234	Long Term loans repaid		10,518
21,000	Short Term loans repaid		26,300
85	Net Receipts from Long Term Debtors		1,358
(9,100)	New Long Term Loans		(84,393)
(26,000)	New Short Term Loans		(21,300)
<b>(6,781)</b>	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(67,517)</b>
<b>512</b>	<b>NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>7,078</b>



S KENYON CPFA  
Assistant Director of Resources (Finance & Efficiency)  
23 August 2012

## Notes to the Group Statements

### 1. **Subsidiary Income and Expenditure**

The operating expenditure and income of Six Town Housing has been included within "Other 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 Statement of Bury Council.

### 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 Council. Six Town Housing has no share capital and is wholly owned by the Authority. Bury Council 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:

	<b>Members</b>	<b>% of voting Rights</b>
<b>Bury Council</b>	5	29.4
<b>Tenant</b>	7	41.2
<b>Independent</b>	5	29.4
		<b>100</b>

The related party transaction between Council Members on the board of Six Town Housing and Bury Council are detailed in Bury Council Statement of Accounts Note 12 (page 66).

**Bury Council's Commitment:** Six Town Housing is the wholly owned subsidiary of Bury Council. 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 2011/2012 Six Town Housing made a surplus after tax of £0.263m compared to a surplus of £2.322m restated

in 2010/2011. Bury Council paid management fees of £12.737m in 2011/2012 (£13.154m in 2010/2011) to Six Town Housing for the management of its housing stock.

Bury Council has made loans totalling £1.140m in 2011/12 to Six Town Housing to facilitate the Redbank housing project. There are two loans, one for £0.620m and the other for £0.520m. Both loans are for 35.5 years and are at commercial rates of interest.

## 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 after tax of £0.330m for the year ended 31<sup>st</sup> March 2012 compared to a profit of 0.038m for the period to 31<sup>st</sup> March 2011. As at 31<sup>st</sup> March 2012, Bury Council has invested £13.343m 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>2010/2011</u>	<b>GROUP RECONCILIATION OF REVENUE CASH FLOW</b>	<u>2011/2012</u>	
<u>£000's</u>		<u>£000's</u>	<u>£000's</u>
<b>(3,817)</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES</b>		<b>(8,029)</b>
(2,295)	Six Town Housing (Surplus)/Deficit	(263)	
(38)	Bury MBC Townside Fields (Surplus)/Loss	(330)	
	<b>Non Cash Movements in Revenue Account:</b>		
(81,018)	Provision for Depreciation	(24,313)	
2,499	Other Provisions	(1,760)	
5,390	Minimum Revenue Provision	5,709	
(9,214)	Contributions from / (to) Revenue Reserves	(6,411)	
66,964	Other non-cash Movements	32,832	
<b>(17,712)</b>			<b>5,464</b>
	<b>Movements in Current Assets and Liabilities:</b>		
33	Increase / (Decrease) in Stock	37	
7,618	Increase / (Decrease) in Revenue Debtors	(354)	
0	(Increase) / Decrease in Revenue grants received in advance	2,702	
(1,311)	(Increase) / Decrease in Revenue Creditors & Advance Receipts	388	
<b>6,340</b>			<b>2,773</b>
	<b>Items shown elsewhere in the Cash Flow Statement:</b>		
(4,501)	Interest Paid	(4,946)	
2,999	Interest Received	3,207	
0	HRA Self Financing Settlement	78,253	
1,000	Dividend Income	1,000	
<b>(502)</b>			<b>77,514</b>
<b>(15,691)</b>	<b>NET CASH INFLOW FROM REVENUE ACTIVITIES</b>		<b>77,722</b>