Bolton Council

Statement of Accounts

2012/13

Contents

Foreword by the Deputy Chief Executive

1. Introduction

This document is the Council's Statement of Accounts for the year ending 31 March 2013, and has been prepared in accordance with the 2012/13 Code of Practice on Local Authority Accounting (The Code) and International Financial Reporting standards (IFRS). Changing requirements over the years have led to the increasing complexity and detail required in the accounts.

The Code requires that the Council's accounts are set out with the 4 core financial statements grouped together, followed by detailed notes, the supplementary statements and Group accounts where applicable.

Therefore the Statement comprises the following:

The Council's Core Financial Statements.

- The Movement in Reserves Statement.
- The Comprehensive Income and Expenditure Statement.
- The Balance Sheet.
- The Cash Flow Statement.

Each of the above is supported by explanatory notes.

Supplementary Financial Statements included are:

- **The Collection Fund Revenue Account.** This reports on the collection of local taxes (council tax and national non domestic rates) and their distribution to the Council, Greater Manchester Police and Greater Manchester Fire and Rescue authorities.

- **Annual Governance Statement.** This statement explains the system of controls operating within the Council to secure sound financial control and good governance. It is not a requirement to include this within the Financial Statement, but it is considered beneficial to include this here.

The accounts are supported by the Statement of Accounting Policies and a glossary of financial terms that are contained within the Statement.

Changes in recommended practice included in this years' Statement of Accounts are only minor, but include:

- A revised disclosure format for Dedicated Schools Grant.
- Disclosure notes which are not material need not be provided.
- A change in the presentation of the Financial Instruments note, relating to the maturity profile of the Council's borrowing.

This foreword identifies the more significant matters included within the accounts and gives an explanation of the Council's overall financial position.

2. The Council's Core Financial Statements.

The Movement in Reserves Statement (MIRS) shows the movement in the Council's reserves in the year split between usable and unusable reserves.

The principal purpose behind this statement is twofold:-

- To remove the entries on the CIES required by recommended accounting practice, and replace them with those required by statute. The rationale for this is that the Council Tax must be based essentially on the cash required by the Council.
- To identify those reserves which are available for future use, and to separate them from unusable reserves.

In total the Authority's reserves have reduced by £51.9m. Of the total £316.8m in reserves, £193.5m is useable, of which £10.7m are General Fund Balances, £154.3m are Earmarked Reserves; the remaining £28.5m usable reserves relate to capital receipts and capital grants which can only be used for capital, and for specific purposes respectively. There are £123.3m unusable reserves.

The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost of the Council activities rather than the amount to be funded from Council Tax. The Council Tax position is shown in the MIRS.

The service analysis provides the net expenditure incurred by the authority, according to accounting standards. It can be seen that the net cost of service apparently shows a decrease of £11m to £222m. This decrease is due partly to 2 unusual factors recognised in the 2011/12 Cost of Services:-

- In 2011/12 a lump sum payment of £5m was paid to the Greater Manchester Pension fund to discharge future liabilities associated with former employees.
- The insurance provision was increased by £5.1m to cover the potential costs of claw-back relating to Municipal Mutual Insurance.

In 2012/13, the revenue account was credited back £4m as it has been recognised that the more uncertain part of the potential MMI liability does not meet the criteria of a provision under IAS37, but remains a risk, therefore has been held in the Insurance reserve.

Within other operating expenditure, the disposal of Academy assets has been recognised, at a cost of £44.5m.

Following the housing stock transfer the Council is entitled to receive a proportion of Right to Buy capital receipts. This is the first year we have received the benefit of this as the transfer took place in March 2011.

Income from Taxation and other non-specific grant income reduced by £53.5m, which has led to the need to make budget reductions.

There has been a notional pensions charge to revenue of £55.5m, based on the actuarial revaluation as at 31 March 2013, being an actuarial increase in liabilities of £117.7m, less a gain on the forecast assets of £62.2m.

Other items in the account are largely comparative to those in previous years.

The result of these various factors is a total deficit for the year of £51.9m. However the impact of the required amendments to this figure is shown within the MIRS.
The CIES and the MIRS shows the movement in General Fund Balances and includes notional costs for depreciation and impairment of assets and adjustments to pensions costs to reflect the change in liability for pensions rather than the contributions made in the year. In addition capital expenditure which does not create a physical asset is shown as service expenditure.

The Balance Sheet shows the total assets, liabilities and reserves (net worth) of the Council.

Fixed Asset values have varied largely in accordance with the anticipated changes from capital expenditure, revaluations, depreciation and disposals. Some movements invite comment:-

- Other land and buildings – the completed St Catherine's Academy has been written out (£30.4m), as well as smaller transfers to other Academies.
- Infrastructure Assets - £8.2m expenditure in the year is partially offset by depreciation.
- Community Assets – are not subject to depreciation so the £557k spent in the year adds directly to asset values.
- Assets under construction include the work that has taken place on Kearsley Academy, where practical completion was 8 April 2013.
- Heritage asset buildings have been revalued at depreciated replacement costs, with a revaluation gain of £12m.
- Investment Properties include properties held for disposal. Asset values have fallen, reflecting disposals and current market valuations.

Long term investments have increased by £19m because of the changed nature of our investment in Manchester Airport Group and the valuation of the closing balance is at Fair Value, whereas the opening balance was at historic cost.

Short term Investments and cash & cash equivalents have increased due to the increase in useable reserves.

The largest component of the decrease in creditors is that Environment was holding £5.7m of balances belonging to the Casualty Reduction Partnership, which has now been repaid to Transport for Greater Manchester. Adult Services have correctly reclassified £5.4m grants received in advance previously treated as creditors to being monies held in reserves. Monies owed by Children's Services in respect of capital creditors and government grants have reduced slightly. These represent grant received in advance for which the necessary expenditure to secure the grant has not yet been met. Last year we received £1.1m Benefits grants more than we were entitled to, this year the figure has reduced to £0.6m. Monies owed to staff for accumulated absences rose by £2m.

The change in provisions largely comprises a reduced insurance provision, with an amount of £4m transferring from provision to reserve in respect of MMI, as the position has become more certain.

Collection Fund Adjustment Account is an account under IFRS which reflects timing differences between statutory provisions for payments out of the Collection Fund to Precepting Authorities and the recognition of those liabilities required by accounting convention. It does not represent usable resources for the Council.

The majority of non-teaching staff who work for the Council are members of the Greater Manchester Pension Fund (GMPF). Tameside MBC administers this fund on behalf of the ten Greater Manchester Councils. The most recent report from the Actuary was based on estimated figures and stated that the Fund's obligations were more than its assets. The Council's proportion of this net obligation was estimated at £332m at 31 March 2013 compared with £270m at 31 March 2012. This is represented by an increase in liabilities of £164.7m partly offset by an increase in assets of £102.3m. The overall increase is primarily because the financial assumptions at March 2013 were less favourable than those at March 2012.

The significant increase in reserves arises largely from the carrying forward of resources to meet future commitments.

The Cash Flow Statement shows the reasons for the change in cash, cash equivalents and the bank overdraft during the year.

There was a decrease in the Cash and Cash Equivalent Balances during the year of £23.6m taking the balance to £17.7m at 31 March 2013. The biggest contributing factor to this decrease is that funds that were held in cash and cash equivalents are now invested in short term investments (included within the £94.5m on the balance sheet), which offer a slightly better yield.

3. Financial Outturn 2012/13

The Financial Statement is prepared according to formal statutory accounting rules and as such is unfamiliar to Members and the public who are used to seeing information in the management accounting format used throughout the year. The Outturn is explained in the familiar format below, which focusses on departmental controllable budgets which exclude depreciation and recharges. The Council uses this in the year for budget monitoring purposes. The outturn figures include transfers into and out of earmarked reserves. The Statement of Accounts presents the same information but in the required format.

Service	**Controllable Budget £000s**	**Inter-Service transfers £000s**	**Other Variance £000s**	**Outturn £000s**
Children's Services	50,915	-120		50,795
Adult Services	65,432	-5,964		59,468
Environmental Services	26,671	-645		26,026
Housing	2,458	-100		2,358
Development & Regeneration	7,445	307		7,752
Central Departments	28,023	5,698		33,721
PTA, Waste Disposal and Land Drainage Precepts	39,728	-1,206		38,522
Financial Arrangements	3,836	4,109	-1,000	6,945
Capital Financing	16,610	-2,079		14,531
Total	**241,118**	**0**	**-1,000**	**240,118**

Inter Service Transfers reflect changes in responsibilities for functions, and items such as the return of pay budgets in excess of the pay award to the centre.

The variance on the Financial Arrangements activity relates to LPSA grant which was treated as income in the year, which had the effect of reducing net expenditure. In the original budget it had been treated as a funding item.

4. Service Expenditure

Services are required to manage net revenue expenditure within the revenue budget adjusted for approved changes in the year. Financial Regulations allow the carry forward of any unspent budget to reserves to meet future requirements but also require any budget overspends to be carried forward for subsequent recovery.

Adult Services underspent by £1.5m on Adult Social Care (under 65's), by £734K on Strategy and Commissioning, by £278k on cross departmental costs, offset by overspends of £1.6m on Older Adults Social Care. Adult Services earmarked reserves have increased by the net amount of these variances, plus the re-classification of creditors from previous years in accordance with IFRS.

Children's Services earmarked reserves have increased by a net £1.5m. There were underspends due to savings on vacant posts, and reduced spend on premises and supplies budgets, offset by additional spend of £1.4m on Child Protection and Looked after Children. Schools balances increased by £200k.

The Chief Executive's department underspent by a net £4.4m, made up of an underspend on corporate Housing and Council Tax benefits paid, plus additional recovery of Benefits overpayments. There were also underspends on salaries due to posts being kept vacant, pending efficiency reviews and on supplies and services budgets, as part of the drive to save costs. These underspends have been earmarked for specific future commitments.

Environmental Services have underspent by £385k after net contributions have been made into specific reserves for capital schemes and to cover the risk of potential trading income loss.

Development and Regeneration underspent by £188k, due to posts being held vacant in anticipation of 2013/15 reviews.

General Fund Housing underspent slightly due to increased income from furnished tenancies. This is ring-fenced for the future replacement of furniture packages.

The Financial Arrangements account underspent by £10.5m, which was made up of £8.5 m savings identified in 2012/13 and taken as 2013/14 budget savings, made up of £4.8m Equal Pay/Pay review costs, £1.2m inflation contingency, £2m of interest savings following the LSVT, and. £0.5m in Pensions savings following the payment of a capital sum in March 2012. An additional £2m distribution was received from the Greater Manchester Waste Disposal Authority. These have been set aside for specific capital projects and to underpin the savings initiatives for 2013/14 onwards.

5. Capital Expenditure

Outturn for the year by service was:

Service	Outturn £000
Children's Services	29,503
Adult Services	601
Environmental Services	12,181
Development & Regeneration	3,063
Central Departments	2,720
Housing General Fund	2,854
Total Expenditure	**50,922**

FINANCING	£000
Borrowing	3,820
Government Grants	36,793
Capital receipts (incl. Earmarked)	4,182
External Contributions	7
Revenue	6,120
Total Funding	**50,922**

In the year £3,201,000 General Fund capital receipts had been generated, of which £3,051,000 is useable. The annual target is £2,000,000.

The Capital Programme for 2013/14 and beyond, and all other financial commitments, including PFI commitments, can be fully funded from borrowing facilities, anticipated capital receipts and capital grants, and from reserves held for that purpose.

6. Developments in the Year

Significant developments in the year were:

- During 2010/11 the grant settlement from the Government along with the Comprehensive Spending Review, indicated that the Council would need to find savings in the order of £100m over the following 4 years, due to reduced levels of income from Central Government. This translated into a savings target of £42 million for 2011/12, and a further £18 million for 2012/13. Subsequent revision to that forecast indicates further savings of £44 million over the years 2013/14 to 2014/15. During 2012/13 departments were required to make savings of £18 million. These savings have all been achieved and details can be found in the 2012/13 Budget Report which was presented to Council on 22 February 2012. (Meetings and Events). The impact of the savings measures meant that the contracts of 248 employees were terminated during 2012/13. No compulsory redundancies were made. More details can be found in notes 26 and 27.

  The Council has developed a comprehensive savings and efficiency programme in order to meet the continuing financial challenge, and has approached the task strategically, having dealt with the targets for both 2011/12 and 2012/13 together. In many instances, the savings measures have been achieved ahead of time, which has led to a short term increase in reserves. The primary focus is on achieving savings through efficiencies but it is inevitable that with savings on this scale there will be impacts on services across the board. In addition, it becomes harder to achieve savings due to efficiencies, as the Council is constantly reducing its budget base.

The Council has now determined its approach to achieving the savings required for 2013/14 and 2014/15, including the use of balances in the short term. A technical consultation paper produced by the Government at the end of July indicates that savings of £25m to £30m will be necessary for 2015/16.

- At the beginning of the year, the Council owned 10,214,000 fully paid £1 ordinary shares in Manchester Airport Group PLC which represented 5% of the issued share capital. On 1 March 2013 a new company was incorporated – Manchester Airports Holdings Ltd (MAHL), and the Council now own 3.22% of the none voting shares in the new company, which entitles the council to 3.22 % of future dividends. The company owns and operates the following airports – Manchester, East Midlands, Bournemouth and Stansted. This change in structure has enabled the shareholding to be subject to a valuation using the earnings based method and discounted cash flow method. Manchester Airport is now carried at fair value in the accounts, whereas previously it was held at historic cost. Valuers have confirmed that it is impracticable to provide a retrospective fair valuation, and therefore no prior year adjustment was made.

- The Council has embarked upon a major programme of property rationalisation in order to make buildings fit for purpose, reduce under-occupancy and ultimately make revenue savings. Farnworth Town Hall refurbishment has recently been completed, at a cost of £1.3m, and Bolton Town Hall refurbishment has just been started. It is anticipated that savings of £1m per annum will be achieved.

- Successful bids were made for five Highways/Transport related schemes, from the Department for Transport and Transport for Greater Manchester, totalling £4m.

- Good progress has been made on the Bolton Market Refurbishment Project which was started in the year. The project is running on time and on budget (£4.5m).

- The Council, together with Wigan Council, Wigan Leisure and Culture Trust and Wigan and Leigh Housing, have entered into a 7 year contract with Agilysis to provide IT support to the Council, which will commence 1 July 2013. The contract is expected to save Bolton Council around £500k per year.

- In 2012/13 the Children’s and Adults departments were combined under a single Director. Achievements of the combined department include the successful implementation of improved procedures for supported houses; an increased number of adoptions; improvement in examination results for Bolton children, and an increased number of Bolton’s schools judged to be good or outstanding by Ofsted.

- A new secondary school for Kearsley Academy has almost been completed, at an estimated final cost of £11.2m, (£10.5m as at 31 March 2013) and work has commenced on a new Clarendon primary school, with an estimated building cost of £6m.

- The Council has entered into an agreement with BV Strategies Facilitating Ltd to establish a Limited Liability Partnership, trading as PSP Bolton LLP. The partnership has been established to facilitate property related projects, which could include the identification and disposal of surplus assets, facilitation of regeneration schemes, portfolio management and the investment of private sector funds in projects to mutual benefit. For the purposes of consolidated (group) accounting, the partnership represents a Joint Venture entity, in which the Council and BV Strategies Facilitating Ltd have joint control, according to a Members agreement. However, as this is the partnership's first year of trading and because no projects have yet been concluded, the results for the period to March 2013 are not material and are therefore not consolidated into group accounts for the Council.

- The Health and Social Care Act 2012 has meant a significant restructuring of the NHS since its inception. As part of its implementation Primary Care Trusts (PCTs) have been abolished and replaced with Clinical Commissioning Groups (CCG). One of the key outcomes of the new structure is to transfer the responsibility of Public Health to local councils from 1 April 2013. This places a responsibility on the Council to secure services to prevent disease, prolong life and promote health. To support the commissioning of public health the Council will receive £18.1m from the Government in 2013/14. This figure is included in the budget for 2013/14 and plans are already in place to ensure that the most efficient delivery of public health is achieved.

7. Balances

General Fund Balances

The Council is required to keep a level of general reserves to fund emergencies, exceptional cost increases and overspends. Council approved that as a minimum Balances should be maintained at £10m, but if possible should be at a higher level. Originally it was anticipated that General Fund balances would remain static during the year, but additional Collection Fund income has increased the level of balances to £10.660m.

The resulting General Fund Balances position can be summarised as follows:

	Original Budget £000s	**Outturn £000s**	**Change £000s**
Opening Balance	10,334	10,334	0
Change on General Fund	0	+326	+326
Available balances at 31 March 2013	10,334	10,660	+326

These balances are available to protect the Council against unexpected demands.

Stephen M. Arnfield
Deputy Chief Executive
30 June 2013

Movement in Reserves Statement (for years ending 31 March 2012 and 2013)

This statement shows the movement in the year on the different reserves held by the Authority, analysed between "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable 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. (CIES) These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2011 carried forward	**(7,205)**	**(90,734)**	**(7,788)**	**(362)**	**(7,174)**	**(8,916)**	**(122,179)**	**(293,077)**	**(415,256)**
(Surplus)/deficit on provision of services	(56,758)	0	0	0	0	0	(56,758)	0	(56,758)
Other Comprehensive Income and Expenditure:	0	0	0	0	0	0	0	(4,233)	(4,233)
Revaluation Gains	0	0	0	0	0	0	0	2,787	2,787
Impairment losses (chargeable to revaluation reserve)	0	0	0	0	0	0	0	(57)	(57)
Movement in pensions reserve	0	0	0	0	0	0	0	104,800	104,800
Total Comprehensive Income and Expenditure (CI&E)	**(56,758)**	**0**	**0**	**0**	**0**	**0**	**(56,758)**	**103,297**	**46,539**
Adjustments between accounting basis & funding basis under regulations:									
Reversal of items debited or credited to the CIES									
Depreciation/amortisation	(20,787)	0	0	0	0	0	(20,787)	20,787	0
Impairment/revaluation losses (charged to CI&E)	(10,758)	0	0	0	0	0	(10,758)	10,758	0
Movement in market value of investment property	(2,423)	0	0	0	0	0	(2,423)	2,423	0
Capital grants and contributions	65,901	0	0	0	0	(22,110)	43,791	(43,791)	0
Revenue expenditure funded by capital under statute	(1,949)	0	0	0	0	176	(1,773)	1,773	0
Profit/loss on sale of non-current assets	(21,355)	0	0	0	(2,512)	0	(23,867)	23,867	0

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Net retirement benefits per IAS 19	(23,300)	0	0	0	0	0	(23,300)	23,300	0
Amount by which council tax income included in the CIES is different to council tax calculated in accordance with regulations	317	0	0	0	0	0	317	(317)	0
Insertion of items not debited or credited to the CIES									
Statutory Provision for the repayment of debt	17,678	0	0	0	0	0	17,678	(17,678)	0
Statutory Repayment of Debt (Finance Lease Liabilities)	494	0	0	0	0	0	494	(494)	0
Statutory Repayment of Debt (PFI)	296	0	0	0	0	0	296	(296)	0
Employers contributions to pensions schemes	25,500	0	0	0	0	0	25,500	(25,500)	0
Revenue contributions to finance capital spend	3,756	0	0	0	0	0	3,756	(3,756)	0
Other adjustments include:									
Use of capital receipts reserve to finance capital expenditure	0	0	0	0	2,774	0	2,774	(2,774)	0
Use of capital grants reserve to finance capital expenditure	0	0	0	0	0	4,480	4,480	(4,480)	0
Total adjustments	**33,370**	**0**	**0**	**0**	**262**	**(17,454)**	**16,178**	**(16,178)**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(23,388)**	**0**	**0**	**0**	**262**	**(17,454)**	**(40,580)**	**87,119**	**46,539**
Transfers to/from Earmarked Reserves (Note 5):									
All other movements in reserves	21,633	(29,783)	7,788	362	(75)	0	(75)	75	0
Compensated absences	(1,374)	0	0	0	0	0	(1,374)	1,374	0
Total earmarked reserve movements	**20,259**	**(29,783)**	**7,788**	**362**	**(75)**	**0**	**(1,449)**	**1,449**	**0**
Increase/Decrease movement in the year	**(3,129)**	**(29,783)**	**7,788**	**362**	**187**	**(17,454)**	**(42,029)**	**88,568**	**46,539**
Balance at 31 March 2012 carried forward	**(10,334)**	**(120,517)**	**0**	**0**	**(6,987)**	**(26,370)**	**(164,208)**	**(204,509)**	**(368,717)**

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2012	**(10,334)**	**(120,517)**	**(6,987)**	**(26,370)**	**(164,208)**	**(204,509)**	**(368,717)**
Movement in reserves during 2012/13:							
(Surplus)/deficit on provision of services	19,785	0	0	0	19,785	0	19,785
Other Comprehensive Income and Expenditure:							
Revaluation Gains	0	0	0	0	0	(17,302)	(17,302)
Revaluation losses (chargeable to revaluation reserve)	0	0	0	0	0	12,068	12,068
Impairment losses (chargeable to revaluation reserve)	0	0	0	0	0	961	961
General Movement in available-for-sale	0	0	0	0	0	(19,143)	(19,143)
Movement in pensions reserve	0	0	0	0	0	55,500	55,500
Total Comprehensive Income and Expenditure (CI&E)	**19,785**	**0**	**0**	**0**	**19,785**	**32,084**	**51,869**
Adjustments between accounting basis & funding basis under regulations:							
Reversal of items debited or credited to the CIES							
Depreciation/amortisation	(20,747)	0	0	0	(20,747)	20,747	0
Impairment/revaluation losses (charged to CI&E)	(15,815)	0	0	0	(15,815)	15,815	0
Movement in market value of investment property	(9,336)	0	0	0	(9,336)	9,336	0
Capital grants and contributions	22,213	0	0	(4,004)	18,209	(18,209)	0
Revenue expenditure funded by capital under statute	(907)	0	533	139	(235)	235	0
Profit/loss on sale of non-current assets	(43,906)	0	(3,155)	0	(47,061)	47,061	0
Non-property related capital receipts transferred to the usable capital receipts reserve	1,809	0	(1,809)	0	0	0	0
Net retirement benefits per IAS 19	(33,900)	0	0	0	(33,900)	33,900	0
Amount by which council tax income included in the CIES is different to council tax calculated in accordance with regulations	(917)	0	0	0	(917)	917	0

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Insertion of items not debited or credited to the CIES							
Statutory Provision for the repayment of debt	12,317	0	0	0	12,317	(12,317)	0
Statutory Repayment of Debt (Finance Lease Liabilities)	579	0	0	0	579	(579)	0
Statutory Repayment of Debt (PFI)	314	0	0	0	314	(314)	0
Employers contributions to pensions schemes	27,000	0	0	0	27,000	(27,000)	0
Revenue contributions to finance capital spend	5,158	0	0	0	5,158	(5,158)	0
Other adjustments include:							
Use of capital receipts reserve to finance capital expenditure	0	0	3,820	0	3,820	(3,820)	0
Use of capital grants reserve to finance capital expenditure	0	0	0	9,397	9,397	(9,397)	0
Transferred debt repayment	0	0	0	0	0	68	68
Total adjustments	(56,138)	0	(611)	5,532	(51,217)	51,285	68
Net Increase/Decrease before Transfers to Earmarked Reserves	(36,353)	0	(611)	5,532	(31,432)	83,369	51,937
Transfers to/from Earmarked Reserves (Note 5):							
All other movements in reserves	33,791	(33,791)	(77)	0	(77)	77	0
Compensated absences	2,236	0	0	0	2,236	(2,236)	0
Total earmarked reserve movements	36,027	(33,791)	(77)	0	2,159	(2,159)	0
Increase/Decrease movement in the year	(326)	(33,791)	(688)	5,532	(29,273)	81,210	51,937
Balance at 31 March 2013 carried forward	**(10,660)**	**(154,308)**	**(7,675)**	**(20,838)**	**(193,481)**	**(123,299)**	**(316,780)**

Comprehensive Income and Expenditure Statement

This 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 (MIRS).

31 March 2012					31 March 2013		
£000s	£000s	£000s		Note	£000s	£000s	£000s
Expenditure	**Income**	**Net**			**Expenditure**	**Income**	**Net**
9,550	5,902	3,648	Central services to the public		9,914	5,967	3,947
30,071	10,866	19,205	Cultural services		21,294	3,280	18,014
33,046	3,987	29,059	Environmental and regulatory services		42,291	6,342	35,949
7,118	(102)	7,220	Planning services		7,248	238	7,010
251,565	230,123	21,442	Education and children's services		285,429	249,394	36,035
33,999	2,788	31,211	Children's Social Care		28,768	(194)	28,962
42,059	10,789	31,270	Highways and transport services		42,130	9,098	33,032
2,161	3,073	(912)	Local authority housing (HRA)		0	0	0
135,607	125,921	9,686	Other housing services		136,525	131,640	4,885
96,904	32,933	63,971	Adult social care		95,305	40,044	55,261
5,331	989	4,342	Corporate and democratic core		4,754	217	4,537
42,107	29,227	12,880	Non distributed costs		26,955	32,540	(5,585)
689,518	**456,496**	**233,022**	**Cost of Services**		**700,613**	**478,566**	**222,047**
			Other Operating Expenditure				
		3,132	Loss on disposal of property, plant and equipment				1,140
		18,223	Disposal of Academy assets				44,509
		0	Right to Buy Receipts				(1,768)
		365	Parish Precepts				365
			Financing and Investment Income				
		2,423	Movement on investment property				7,593
		(269)	Trading Account (Surplus)/Deficit				(282)
		5,112	Interest Payable				7,478

31 March 2012					31 March 2013		
£000s	£000s	£000s		Note	£000s	£000s	£000s
Expenditure	**Income**	**Net**			**Expenditure**	**Income**	**Net**
		(3,760)	Interest and Investment Income				(5,753)
		1,500	Pension interest cost and return on assets				7,500
			Taxation and Non-specific grant income				
		(67,340)	Capital grants	**29**			(22,291)
		(101,395)	Demand on Collection Fund				(101,720)
		(1,317)	Collection Fund adjustment account				(400)
		(48,644)	General Government Grants	**29**			(21,155)
		(97,810)	Non-Domestic Rates				(117,478)
		(56,758)	**(Surplus) or Deficit for the year**				**19,785**
		(1,446)	Surplus or deficit on revaluation of property, plant and equipment				(4,273)
		(57)	Surplus or deficit on available for sale				(19,143)
		104,800	Actuarial gains/losses on pension assets/liabilities	**35**			55,500
		103,297	**Other Comprehensive Income**				**32,084**
		46,539	**Total Comprehensive Income and Expenditure**				**51,869**

For 2011/12:

The most significant item is an increase in the forecasted liabilities of pensions of £104.8m, based on the actuarial valuation as at 31 March 2012 due to a downward revision in the calculation of the forecast assets of the Pension Fund.

For 2012/13:

Disposal of Academy assets has been included in operating expenditure, this relates primarily to St Catherine’s Academy, Eagley Infants, Eagley Junior and SS Simon & Jude’s.

It is difficult to compare individual lines within the Taxation and Non Specific Grant Income section of the above table due to changes in Central Government Funding, however there has been an overall reduction in monies received from Central Government.

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 less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie 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 of reserves 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 were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

31 March 2012 £000s		**Note**	**31 March 2013 £000s**
	Property, Plant & Equipment		
418,887	- Other land and buildings	**7**	384,056
18,709	- Vehicles, plant, furniture & equipment	**7**	16,484
100,090	- Infrastructure	**7**	103,430
7,849	- Community assets	**7**	8,406
32,948	- Assets under construction	**7**	10,729
578,483			**523,105**
53,196	Heritage assets	**7**	65,263
60,491	Investment property	**8**	51,900
1,305	Software	**9**	912
11,398	Long Term Investments	**11**	30,280
10,507	Long Term Debtors	**11**	10,363
715,380	**Long Term Assets**		**681,823**
63,320	Short Term Investments		94,552
886	Inventories	**13**	881
24,614	Short Term Debtors	**14**	26,460
2,312	Prepayments		4,318
41,380	Cash and Cash Equivalents	**15**	17,721
838	Assets held for sale (less than 1 year)		250
133,350	**Current Assets**		**144,182**
(782)	Short Term Borrowing	**11**	(784)
(71,315)	Short Term Creditors	**16**	(49,308)
(3,025)	Provisions for current liabilities	**17**	(3,467)
(75,122)	**Current Liabilities**		**(53,559)**

31 March 2012 £000s		Note	31 March 2013 £000s
(14,967)	Provisions for long term liabilities	**17**	(11,152)
(90,979)	Long Term Borrowing	**11**	(90,961)
(21,937)	Other Long Term Liabilities	**11**	(20,171)
(270,000)	Net Pensions Liability	**35**	(332,400)
(7,008)	Capital Grants Receipts in Advance		(982)
(404,891)	**Long Term Liabilities**		**(455,666)**
368,717	**Net Assets**		**316,780**
	Represented by:		
	Usable Reserves		
10,334	- General Fund Balance	**5**	10,660
7,270	- Earmarked Statutory Reserves	**5**	7,551
113,247	- Earmarked Policy Reserves	**5**	146,757
6,987	- Capital Receipts Reserve		7,675
26,370	- Capital Grants Received in Advance		20,838
164,208			**193,481**
	Unusable Reserves	**6**	
128,176	- Revaluation reserve		126,264
351	- Available-for-Sale Financial Instruments Reserve		19,494
(270,000)	- Pensions Reserve		(332,400)
126	- Deferred capital receipts		124
350,047	- Capital Adjustment Account		312,689
1,317	- Collection Fund Adjustment Account		400
(5,508)	- Short-term Accumulating Compensated Absences Account		(3,272)
204,509			**123,299**
368,717	**Total Reserves**		**316,780**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Authority.

31 March 2012 £000s		Note	31 March 2013 £000s
56,758	Net (surplus) or deficit on the provision of services		19,785
46,056	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements		6,557
5,006	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		16,537
107,820	Net cash flows from Operating Activities	**18**	42,879
(83,719)	Investing Activities	**19**	(66,538)
13,000	Financing Activities	**20**	0
37,101	Net increase or decrease in cash and cash equivalents		(23,659)
4,279	Cash and cash equivalents at the beginning of the reporting period		41,380
41,380	**Cash and cash equivalents at the end of the reporting period**	**15**	**17,721**

Notes to the Core Financial Statements

Contents

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. It has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) and the CIPFA Service Reporting Code of Practice 2012/13 (SeRCOP), supported by International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Employee costs are charged to the accounts of the period within which the employees worked. Accruals have been made for wages earned but unpaid at the year-end.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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 within 1 working day of the balance sheet date.
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 Council's cash management.

Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off

- amortisation of intangible assets attributable to the service.

The Council is not required to raise Council tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by revenue provision in the MIRS, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Employee Benefits

a) Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and bonuses for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, eg 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 Surplus or Deficit on the Provision of Services, but then reversed out through the MIRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

b) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council 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 accruals basis to the appropriate service in the CIES when the Council 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 Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, 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.

c) Retirement Benefits

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DFE).
- The Greater Manchester Pensions Scheme, administered by Tameside Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the service revenue account is charged with the employer's contributions payable to teachers' pensions in the year. The Children's and Education services line in the CIES is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

The liabilities of the Greater Manchester pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a real discount rate of 4.5% per annum, (based on an assumed 3.2% gilt yield over 17 years, plus an addition of 1.3% to reflect the extra risk involved in using AA corporate Bond yields over 15 years).

The assets of the Greater Manchester pension fund attributable to the Council are included in the Balance Sheet at their fair value, which is at bid value, as recommended under IAS19.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as result of years of service earned this year – allocated in the CIES to the revenue accounts of services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the CIES
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the CIES
- gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve

- contributions paid to the Greater Manchester pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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, or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, this means that there are appropriations to and from the Pensions 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 pensioners and any such amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Financial Instruments

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost on the Balance Sheet. Annual charges to the Financing and Investment Income and Expenditure line in 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 borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable, and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES 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 CIES 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 CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES 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 MIRS.

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.

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES 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 CIES is the amount receivable for the year in the loan agreement.

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 relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the CIES.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

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 Financing and Investment Income and Expenditure line in the CIES for 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 (eg dividends) is credited to the CIES 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 market prices – independent appraisal of company valuations – from 2012/13 this includes Manchester Airport Shares.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the CIES, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.
Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

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 Council when there is reasonable assurance that:

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

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Monies advanced as grants and 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 CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MIRS. 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.

Heritage Assets

All the Council’s Heritage Assets are tangible in nature. There are no intangible Heritage Assets.

Heritage Assets comprise items held by the Library and Museum Service, including Civic regalia, commemorative items and silver tableware, plus two historic buildings. These assets are intended to be held in trust for future generations because of their cultural, environmental or historical associations. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council’s accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Councils collections of Heritage Assets are accounted for as follows:

Library & Museums collections

The collections include Egyptology, Ethnography, industrial history, business archives, archaeology, botany, geology, local history, costume, textiles, decorative art, entomology, zoology and rare books.

These items are reported in the Balance Sheet on valuations held for insurance purposes. The ten most significant items have been valued individually, and a single collections based valuation covers all other items. The total value is £52.812million as at 31 March 2013. The insurance valuations are reviewed regularly, and when the policies are being renewed. The valuation of individual items may also be reviewed when loans are made to external organisations (e.g. loan of an art work to an exhibition). The collections are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

The collection is relatively static. Acquisitions (mainly donations) are made at a rate of around 100 items per year, with a smaller number of disposals. Significant purchases would be recognised at cost, and donations recognised at a valuation determined by an appropriately qualified member of staff, however, recently these items have not been material in value, and have been assessed as being covered by the valuation of the collection as a whole. Significant disposals are recognised as a capital receipt, and written out of the balance sheet at their carrying value. In practice, most disposals have been small in nature and regarded as not affecting the value of the collection as a whole.

Historic Buildings

The Council owns two historic buildings, Smithills Hall and Hall i' th' Wood, both of which are open to the general public. Smithills Hall was purchased by the Council in the 1930s and Hall i' th' Wood was presented as a gift in 1902, both are open to the general public.

These are held on the balance sheet at £12.451m, both have been revalued in 2012/13 at depreciated replacement cost. These assets are also deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, for example, 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.

In the event of sales, the proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see elsewhere in Accounting Policies).

Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. 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.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES.

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 MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for 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 arm’s-length. Properties are not depreciated but are re-valued on a 5-yearly cycle. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Leases

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.

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.

a) The Council 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. 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 CIES).

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 Council at the end of the lease period).

The Council 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 MIRS for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment.

b) The Council as Lessor

Finance Leases

Where the Council 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 CIES as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES 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 CIES).

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 MIRS. 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 assets 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 MIRS.

Operating Leases

Where the Council 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 CIES.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- 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 and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the CIES, as part of Net Expenditure on Continuing Services.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis are classified as Property, Plant and Equipment.

a) Recognition: expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that maintains but does not add to an assets' potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged to revenue as it is incurred.

b) Measurement: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- assets under construction – historical cost
- dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- infrastructure assets, community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost
- investment properties and surplus assets – market value.

c) Revaluations: assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. Capital expenditure incurred in the year of account is capitalised, thus adding to the asset's value until the next professional valuation. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service revenue account.

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

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

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.

d) Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is 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 CIES.

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

e) Depreciation: depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use on a straight line basis. Where there is specific information on an asset that data is used to determine its life. Otherwise depreciation is calculated on the following bases:

- Buildings – 40 years
- Vehicles, plant, furniture and equipment – 5 years
- Infrastructure – 25 years
- Intangible Assets – 5 years or life of licence.

When an item of Property, Plant and Equipment valued at greater than £1,000,000 is either acquired or re-valued and the asset has major components whose cost is greater than £200,000, the components are depreciated separately over the relevant life of the component.

Depreciation is calculated on asset values at April 1st i.e. no depreciation is charged on expenditure in the year or revaluations effective on April 1st. Only land held on a lease will be subject to depreciation. The length of the lease will determine the period over which depreciation is charged. The same would apply for leasehold buildings.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

f) 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 CIES. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. 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 (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES 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. Receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the MIRS.

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 MIRS.

Private Finance Initiative (PFI)

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. Non-current assets recognised on the Balance Sheet will be re-valued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operator each year is analysed into three elements:

- fair value of the services received during the year – debited to the relevant service in the CIES
- finance cost – an interest charge of 5.1% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the Council 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 carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

The Council has made a provision from revenue budgets for the costs of settling claims for back pay arising from discriminatory payments incurred before the council implemented its equal pay strategy. By using available resources it is not necessary for the Council to use an Equal Pay Back Pay Account to defer the resource effect until payment is actually made.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.
Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. They are also used as part of the Council's devolved budget management process to carry forward budget over or under-spend to future years. Reserves are created by appropriating amounts in the MIRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the MIRS 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 Council.

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 a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the MIRS from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

Accounting for Schools

Within its boundary, the Authority has the following schools:

Type of School	Nursery	Primary	Secondary	Special
Community Schools	4	45	7	5
Controlled Schools	0	6	1	0
Trust Schools	0	0	0	1
Voluntary Aided Schools	0	36	6	0
Total LA Schools	**4**	**87**	**14**	**6**
Academies	0	9	3	0
Total	4	96	17	6

a) **Community Schools**
These schools are owned by the Local Authority and managed by a governing body. The revenue expenditure for these schools are funded from the Dedicated Schools Grant (DSG) and accounted for within the council accounts. The buildings, reserves and other assets and liabilities are held on the Authority balance sheet.

b) **Controlled Schools**
Controlled schools are managed by a governing body on behalf of the Council. As with Community schools the revenue expenditure is funded from the DSG and accounted for within the Council accounts. The buildings do not belong to the Authority, and therefore are not held within the balance sheet. Reserves and other assets and liabilities that are related to the provision of education, remain with the Authority and are therefore included in the balance sheet.

c) **Trust Schools**
Trust schools are state-funded foundation schools which receive extra support (usually non-monetary) from a charitable trust made up of partners working together for the benefit of the school. The ownership of the buildings lie with the Trust and, therefore, are not held on the Authority balance sheet. Revenue expenditure is funded by the DSG. All revenue income and expenditure, reserves, current assets and liabilities are held within the Councils accounts.

d) **Voluntary Aided Schools**
These schools are owned by either the Roman Catholic or Church of England Diocese and one is of the Muslim faith. The governing bodies employ the staff but the education is provided on behalf of the Authority and funded by the DSG, therefore all the all revenue income and expenditure, reserves, current assets and liabilities are within the Councils accounts. The buildings, however, are not held on the balance sheet with the exception of playing fields that are in Council ownership.

e) **Academies**
These schools are independent from the Authority. Income and expenditure, reserves and current assets and liabilities are not within the Authority accounts. The DSG is paid directly to the schools from the Department for Education.

Existing buildings are transferred to the academy and only a nominal land value held on the asset register. Three academies have had substantial new builds and these have been undertaken by the Authority and accounted for in the capital account and held on the balance sheet. On completion the building is transferred to the academy and as with other academies a nominal land value held.

VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid relating to Bolton Council is recoverable from it.

Accounting for the costs of the Carbon Reduction Commitment (CRC) Scheme

The Council 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 Council 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 is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

Collection Fund

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR). The key features relevant to accounting for Council Tax in the core financial statements are:

- In its capacity as a billing authority the Council acts as agent; it collects and distributes Council Tax income on behalf of the major preceptors and itself

- While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors

- From the year commencing 1 April 2009 the Council Tax income included in the CIES for the year is the accrued income for the year. The difference between the income included in the CIES and the amount required by regulation to be credited to the Collection Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the MIRS.

- Since the collection of Council Tax and NNDR is in substance an agency arrangement, cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors. There will be therefore a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from Council Taxpayers; and Cash collected from NNDR taxpayers by billing authorities (net of the cost of collection allowance) belongs to the Government and the amount not yet paid to the Government at the Balance Sheet date is included in the Balance Sheet as a creditor. Similarly, if cash paid to the Government exceeds the cash collected from NNDR taxpayers (net of the billing authority's cost of collection allowance), the excess is included in the Balance Sheet as a debtor.

2. Accounting Standards Issued, Not Adopted

The Code has introduced several changes in accounting policies which will be required from 1 April 2013.The following changes are not considered to have a material impact on the Statement of Accounts :-

- **IAS1 Presentation of Financial Statements**: there is a change in the level of detail required to be reported in the surplus or deficit for the year section of the CI&E Statement, whereby significant gains and losses must be separately identified. This will be a presentational issue only as it will not impact on any of the reported amounts in the CI&E Statement.

- **IFRS 7-Financial Instruments: Disclosures (Offsetting financial assets and liabilities).** There is a requirement to disclose the separate items contained within the cash and cash equivalents line on the balance sheet, so that offsetting items such as bank overdrafts are identified, note 11 refers.

IAS 19 Employee Benefits:
IAS19 is changing for accounting years starting on or after 1 January 2013 and this will affect the budgeted pension expense for the next financial year. The key change affecting LGPS employers relates to the expected return on assets. Advance credit for anticipated outperformance of return seeking assets (such as equities) will no longer be permitted. The expected return on assets is currently credited to the CIES, however from 2013 this is effectively replaced with an equivalent figure calculated using the discount rate (as opposed to that calculated using the Expected Return on Assets assumption). For 2012/13 this would result in a £5.6m expense increase in the CIES. However, there is no impact of this change in the 2012/13 accounts as any changes will be retrospectively applied to the 2012/13 financial year at the time the 2013/14 accounts are prepared.

3. Critical Judgements in Applying Accounting Policies and Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

In applying the accounting policies set out in note 1, the authority has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government. However the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

There is a degree of uncertainty about the future levels of income from third parties for which the Authority provides services.

The Authority has evaluated its PFI scheme at Castle Hill, under the requirements of the Code, and concluded that this should be recognised in the balance sheet as an asset. See note 34 for details.

In accounting for liabilities relating to unequal pay, the Authority has had to judge which of the possible future liabilities it faces are sufficiently certain to be accounted for as a provision and which should be treated as a contingent liability. The Authority has taken the view that where it has received claims from individuals covering circumstances which it has accepted may give rise to a valid claim, a provision for the estimated settlement value should be raised. If the Authority were aware that there is a potential for future claims but none had yet been received, it would judge these possible liabilities to be sufficiently uncertain and unquantifiable to be classified as contingent liabilities. However, the Authority believes it has no further liability.

The Code states that the valuation of Heritage Assets may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out by professional valuers. The Museums and Libraries collections are held at insurance valuation, however Smithills Hall and Hall i' th' Wood Museums have been revalued in the year at depreciated replacement cost, so they are held on a consistent basis. This has added £12m to the balance sheet at 31 March 2013.

In accounting for liabilities relating to the Municipal Mutual Insurance (MMI) claw back Scheme of Arrangement, the Authority has judged that the amount of Levy notified relating to known claims (28% of the total potential liability), is sufficiently certain to be treated as a provision, and the remainder (72%) is sufficiently uncertain so as to be classified as a contingent liability. Both amounts are included in the Insurance Provision and Insurance Reserve respectively. (Notes 5,7,36)

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The effects on the net pensions liability of changes in assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would increase the pension liability by £113.8m, a one year increase in member life expectancy would result in a £34m increase in the pension liability, a 0.5% increase in the salary increase rate would increase the total liability by £33.9m, and a 0.5% increase in the assumed pension rate increase would result in a £78.4m increase in the pension liability . However the assumptions interact in complex ways and changes to other estimates and actuarial assumptions may produce a different impact upon the total liability.

4. Events After the Balance Sheet Date

CIPFA issued an update to the LAAP Bulletin 82, in relation to the impairment of Icelandic investments, on the 20 May 2013 which contained information based on transactions that had taken place after the 31 March 2013. These changes do not have a material impact on the accounts.

Business Rate Retention Scheme: From 1 April 2013 the above scheme comes into effect and changes the arrangements for the distribution of business rates income. Under the current arrangements the Council collects business rates on behalf of Central Government. From 1 April the Council will retain 49% of this income with the balance being passed to the Government (50%) and the Greater Manchester Fire and Rescue authority (1%).

The change increases the risk to the Council resulting from any non-collection of the rates and from the cost of future refunds to businesses who successfully appeal against the rateable value of their properties. This will include any amounts paid over to the Government in respect of 2012/13 and prior years. Previously such amounts would not have been recognised as income by the Council, but would have been transferred to the Government.

The rateable value of appeals in the system at 31 March 2013 is £113m and the Council estimates that this could result in a potential loss of income of £8.22m with the Council's share being £4.03m. This amount has been built into the Council's 2013/14 budget.

The completion of the Kearsley Academy building in April 2013 means that the building transferred to the Academy then, and the value (£10.5m as at 31 March 2013) will be removed from the balance sheet, and only a nominal land value held. This treatment reflects the fact that there is no ongoing economic benefit to the Council from the asset.

5. Transfers to/from Earmarked Reserves

	Note	1 April 2011 £000s	Receipts £000s	Payments £000s	1 April 2012 £000s	Transfer to Corporate £000s	Receipts £000s	Payments £000s	31 March 2013 £000s
Earmarked Statutory Reserves									
Schools Delegated Budgets	**1**	5,253	1,827	(12)	7,068	0	527	(359)	7,236
Trading Accounts	**2**	142	60	0	202	0	113	0	315
HRA Reserves		362	0	(362)	0	0	0	0	0
Total Earmarked Statutory Reserves		**5,757**	**1,887**	**(374)**	**7,270**	**0**	**640**	**(359)**	**7,551**
Insurance	**3**	11,561	0	(4,076)	7,485	(1,000)	4,419	0	10,904
Reserves held for:									
Legal requirements	**5**	14,848	9,867	(3,740)	20,975	(11,276)	8,134	(4,158)	13,675
Existing commitments	**6**	47,692	18,524	(10,189)	56,027	(5,142)	21,973	(9,640)	63,218
To cover future key areas of spend	**7**	8,825	3,983	(440)	12,368	17,227	12,730	(9,913)	32,412
To cover key areas of risk	**8**	2,260	10,981	(1,554)	11,687	(407)	6,924	(154)	18,050
Service general contingencies	**9**	256	3,030	(1,117)	2,169	1,686	2,342	(756)	5,441
Available for reallocation	**10**	(103)	3,157	(518)	2,536	(1,088)	1,609	0	3,057
Total Earmarked Policy Reserves		**73,778**	**49,542**	**(17,558)**	**105,762**	**1,000**	**53,712**	**(24,621)**	**135,853**
Total Earmarked General Fund Reserves		**85,339**	**49,542**	**(21,634)**	**113,247**	**0**	**58,131**	**(24,621)**	**146,757**
General Fund Balance	**4**	7,205	3,129	0	10,334	0	364	(38)	10,660
Total Reserves and Balances		**98,301**	**54,558**	**(22,008)**	**130,851**	**0**	**59,135**	**(25,018)**	**164,968**

The Council sets aside specific amounts as earmarked reserves for future policy purposes or to cover known events or contingencies. They are also used as part of the Council's devolved budget management process to carry forward budget under or overspends to future years. An explanation of the major reserves is outlined below.

1. **Schools – delegated budgets:** In accordance with section 48 of the School Standards and Framework Act 1998, the Scheme for financing of schools provides for the carry-forward of individual school surpluses and deficits.

2. **Trading accounts:** These represents the in-year surpluses or deficits carried forward from the authority's trading accounts. In this instance, it relates only to a surplus made by the Legal Services trading account.

3. **Insurance:** In addition to having an insurance provision, which is linked to past events, but where the timing of the obligation is uncertain, the authority holds monies in a reserve to cover potential future insurance claims.

4. **General Fund Balance:** The Council is required to keep a level of general reserves to fund emergencies, exceptional cost increases and overspends. Council approved that as a minimum Balances should be maintained at £10m, but if possible should be at a higher level.

Earmarked Policy Reserves: An exercise has been undertaken to examine all reserves, and these are now categorised under 6 main headings.

5. **Reserves we are legally required to maintain** include
   - Sinking funds we are legally obliged to maintain, and other legal liabilities from previous initiatives £5.4m
   - Funds which are held on behalf of schools, and funding for school improvement requirements £3.0m
   - Funding received in advance from Government for initiatives, such as
     - Troubled Families £1.6m
     - Supported housing and other housing initiatives £1.1m
     - LPSA reward grant £1.0m
   - Smaller obligations where we hold funds on behalf of others, such as Graves in Perpetuity £1.5m

6. **Reserves with an existing commitment** include
   - Funding held to meet the costs of committed Capital projects and allocations to meet specific investment initiatives agreed by the council £42.1m
   - Monies set aside to support the budget over the next 4 years £8m
   - Funding accumulated to even out the Waste Levy over a number of years to avoid major peaks and troughs £3.7m
   - Schools' Centrally held and Standards Fund balances of £2.8m
   - Schemes for Neighbourhood Management, sport and the Town Centre £1.9m
   - Money set aside to meet the various phases of the Apprentice scheme £1.8m
   - Key housing initiatives, such as Furnished Tenancies and Affordable housing £1.1m
   - Outstanding potential corporate liabilities, including repairing the bridge at Smithills £0.8m
   - Drugs related initiatives £0.6m

7. **Reserves to cover key areas of known future spend** include
    - Funds have been set aside to cover the costs of paying for the one – off employment costs to enable staffing efficiencies to be made to meet budget reduction targets, and to cover the costs of redeployment £12.6m
    - IT systems and kit refresh funding set aside to meet the cost of the Council's major systems upgrades, e.g. Oracle, Tax & Benefits, Customer Series and Telephony, Schools systems, the replacement of hardware and to meet the costs of transition from Fujitsu to Agilysis. It is anticipated that all of this funding will be required over the next 4 years £11.2m
    - Social Needs Transport Project £2.2m
    - The remainder of this category is made up of a number of reserves covering such things as Voluntary Sector grants agreed but not paid, Community Safety projects, Mere Hall requirements, energy initiatives, and Area Forum initiatives £2.1m
    - No overall contingency is included in the Council's revenue budget, but the costs of energy and fuel can change at short notice during the year, so funding has been set aside to cover any significant in-year increases £1.2m
    - Adults Social Care – Demographic Pressures £1.0m
    - The Council is required to fund certain pension liabilities following decisions by schools in relation to teaching staff, so funds have been set aside to meet these costs £0.8m
    - Council took the decision to invest spare monies in footpath improvements and the promotion of School Meals £0.8m

8. **Reserves to cover key areas of risk comprise** include
    - Costs may fall on the council for outstanding liabilities following the housing stock transfer, such as future environmental risks or Equal Pay risks £5.1m
    - The cost to the Council of Council Tax Benefits and Housing Benefits can vary significantly from year to year and an amount has been set aside to cover possible overspends £3.3m
    - The Council has already settled significant numbers of Equal Pay claims but more are received each year and a sum is set aside to enable to enable any claims to be paid without impacting on the revenue budget £3.0m
    - All departments have identified a number of smaller risk items £2.7m
    - Adult Services have assessed there may be a risk of achieving their savings targets for 2013/14 in that year, and have underwritten those savings on a one off basis, in addition, there could be huge Winter pressures next year £1.7m
    - Staying Safe placements, which can cost several hundred thousand pounds for individuals with significant needs, and other requirements for Looked After Children £1.6m
    - The Airport dividend has been set aside to allow the Council 12 months to adjust for lower dividends £1.0m

9. **Reserves to cover service general contingencies** these are amounts set aside to meet any overspends or exceptional items of spend facing individual services during the financial year. Under Council standing orders, services have to manage within their overall budget allocations each year.

    - Central £2.8m
    - Children's £1.2m
    - Adults £1.1m
    - Environment £0.3m

10. **Reserves available for reallocation:** A review of reserves has been undertaken and £3.0m has been identified as being available for reallocation.

The amounts included in Earmarked Policy Reserves are analysed by department below:

By Department

Earmarked Policy Reserves

	Opening Balance £000s	**Closing Balance £000s**	**Movement £000s**
Insurance	7,485	10,904	3,419
Other central reserves	75,755	94,353	18,598
Children’s Services	20,033	21,515	1,482
Environmental Services	2,132	4,879	2,747
Development & Regeneration	2,325	2,511	186
Housing GRF	3,034	2,561	(473)
Adult Services	2,483	10,028	7,545
Public Health	0	6	6
Total earmarked General Fund reserves	**113,247**	**146,757**	**33,510**

6. Unusable Reserves

Movement in Unusable Reserves: Table for year ending 31 March 2012

	Revaluation Reserve	Available for Sale Reserve	Pensions Reserve	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Accumulated Absences Account	Total Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2011 carried forward	**(128,840)**	**(294)**	**167,400**	**(334,349)**	**(128)**	**(1,000)**	**4,134**	**(293,077)**
Surplus/(deficit) on provision of services:								
Revaluation Gains	(4,233)	0	0	0	0	0	0	(4,233)
Revaluation Losses (chargeable to revaluation reserve)	2,787	0	0	0	0	0	0	2,787
General movement in available-for-sale	0	(57)	0	0	0	0	0	(57)
Movement in pensions reserve	0	0	104,800	0	0	0	0	104,800
Total Comprehensive Income and Expenditure (CI&E)	**(1,446)**	**(57)**	**104,800**	**0**	**0**	**0**	**0**	**103,297**
Adjustments between accounting basis & funding basis under regulations:								
Reversal of items debited or credited to the CI&E Statement								
Depreciation/amortisation	0	0	0	20,787	0	0	0	20,787
Impairment/revaluation losses (charged to CI&E)	0	0	0	10,758	0	0	0	10,758
Movement in market value of investment property	0	0	0	2,423	0	0	0	2,423
Capital grants and contributions	0	0	0	(43,791)	0	0	0	(43,791)
Revenue expenditure funded by capital under statute	0	0	0	1,773	0	0	0	1,773
Profit/loss on sale of non-current assets	0	0	0	23,867	0	0	0	23,867
Net retirement benefits per IAS 19	0	0	23,300	0	0	0	0	23,300
Amount by which council tax income included in the CIES is different to council tax calculated in accordance with regulations	0	0	0	0	0	(317)	0	(317)

	Revaluation Reserve	Available for Sale Reserve	Pensions Reserve	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Accumulated Absences Account	Total Unusable Reserves
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Insertion of items not debited or credited to the CIES								
Statutory Provision for the repayment of debt	0	0	0	(17,678)	0	0	0	(17,678)
Statutory Repayment of Debt (Finance Lease Liabilities)	0	0	0	(496)	2	0	0	(494)
Statutory Repayment of Debt (PFI)	0	0	0	(296)	0	0	0	(296)
Employers contributions to pensions schemes	0	0	(25,500)	0	0	0	0	(25,500)
Revenue contributions to finance capital spend	0	0	0	(3,756)	0	0	0	(3,756)
Other adjustments include:								
Use of capital receipts reserve to finance capital expenditure	0	0	0	(2,774)	0	0	0	(2,774)
Use of capital grants reserve to finance capital expenditure	0	0	0	(4,480)	0	0	0	(4,480)
Adjustment between CAA and Revaluation Reserve for depreciation related to revaluation balance rather than historic cost	1,362	0	0	(1,362)	0	0	0	0
Total adjustments	**1,362**	**0**	**(2,200)**	**(15,025)**	**2**	**(317)**	**0**	**(16,178)**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(84)**	**(57)**	**102,600**	**(15,025)**	**2**	**(317)**	**0**	**87,119**
Transfers to/from Earmarked Reserves:								
All other movements in reserves	748	0	0	(673)	0	0	0	75
Compensated absences	0	0	0	0	0	0	1,374	1.374
Total earmarked reserve movements	**748**	**0**	**0**	**(673)**	**0**	**0**	**1,374**	**1,449**
Increase/Decrease movement in the year	**664**	**(57)**	**102,600**	**(15,698)**	**2**	**(317)**	**1,374**	**88,568**
Balance at 31 March 2012 carried forward	**(128,176)**	**(351)**	**270,000**	**(350,047)**	**(126)**	**(1,317)**	**5,508**	**(204,509)**

Movement in Unusable Reserves: Table for year ending 31 March 2013

	Revaluation Reserve	Available for Sale Reserve	Pensions Reserve	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Accumulated Absences Account	Total Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2012 carried forward	**(128,176)**	**(351)**	**270,000**	**(350,047)**	**(126)**	**(1,317)**	**5,508**	**(204,509)**
Surplus/(deficit) on provision of services:								
Other Comprehensive Income and Expenditure:								
Revaluation Gains	(17,302)	0	0	0	0	0	0	(17,302)
Revaluation Losses (chargeable to revaluation reserve)	12,068	0	0	0	0	0	0	12,068
Impairment losses (chargeable to revaluation reserve)	961	0	0	0	0	0	0	961
General movement in available-for-sale financial instruments	0	(19,143)	0	0	0	0	0	(19,143)
Movement in pensions reserve	0	0	55,500	0	0	0	0	55,500
Total Comprehensive Income and Expenditure	**(4,273)**	**(19,143)**	**55,500**	**0**	**0**	**0**	**0**	**32,084**
Adjustments between accounting basis & funding basis under regulations:								
Reversal of items debited or credited to the CI&E Statement								
Depreciation/amortisation	0	0	0	20,747	0	0	0	20,747
Impairment/revaluation losses (charged to CI&E)	0	0	0	15,815	0	0	0	15,815
Movement in market value of investment property	0	0	0	9,336	0	0	0	9,336
Movement in value of held for sale assets	0	0	0	0	0	0	0	0
Capital grants and contributions	0	0	0	(18,209)	0	0	0	(18,209)
Revenue expenditure funded by capital under statute	0	0	0	235	0	0	0	235
Profit/loss on sale of non-current assets	0	0	0	47,061	0	0	0	47,061
Net retirement benefits per IAS 19	0	0	33,900	0	0	0	0	33,900
Amount by which council tax income included in the CIES is different to council tax calculated in accordance with regulations	0	0	0	0	0	917	0	917

	Revaluation Reserve	Available for Sale Reserve	Pensions Reserve	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Accumulated Absences Account	Total Unusable Reserves
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Insertion of items not debited or credited to the CIES								
Statutory Provision for the repayment of debt	0	0	0	(12,317)	0	0	0	(12,317)
Statutory Repayment of Debt (Finance Lease Liabilities)	0	0	0	(581)	2	0	0	(579)
Statutory Repayment of Debt (PFI)	0	0	0	(314)	0	0	0	(314)
Employers contributions to pensions schemes	0	0	(27,000)	0	0	0	0	(27,000)
Revenue contributions to finance capital spend	0	0	0	(5,158)	0	0	0	(5,158)
Other adjustments include:								
Use of capital receipts reserve to finance capital expenditure	0	0	0	(3,820)	0	0	0	(3,820)
Use of capital grants reserve to finance capital expenditure	0	0	0	(9,397)	0	0	0	(9,397)
Transferred debt repayment	0	0	0	68	0	0	0	68
Adjustment between CAA and Revaluation Reserve for depreciation related to revaluation balance rather than historic cost	1,259	0	0	(1,259)	0	0	0	0
Total adjustments	**1,259**	**0**	**6,900**	**42,207**	**2**	**917**	**0**	**51,285**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(3,014)**	**(19,143)**	**62,400**	**42,207**	**2**	**917**	**0**	**83,369**
Transfers to/from Earmarked Reserves:								
All other movements in reserves	4,926	0	0	(4,849)	0	0	0	77
Compensated absences	0	0	0	0	0	0	(2,236)	(2,236)
Total earmarked reserve movements	**4,926**	**0**	**0**	**(4,849)**	**0**	**0**	**(2,236)**	**(2,159)**
Increase/Decrease movement in the year	**1,912**	**(19,143)**	**62,400**	**37,358**	**2**	**917**	**(2,236)**	**81,210**
Balance at 31 March 2013 carried forward	**(126,264)**	**(19,494)**	**332,400**	**(312,689)**	**(124)**	**(400)**	**3,272**	**(123,299)**

7. Property, Plant and Equipment – Comparative movements in 2011/12

	Council Dwellings	Other Land & Buildings	Vehicles, Plant Furniture & Equipment	Infrastructure	Community Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Gross book value brought forward	1,687	432,443	45,714	118,482	7,460	27,548	633,334
Accumulated depreciation & impairment brought forward	(1,687)	(21,963)	(22,645)	(18,637)	(15)	0	(64,947)
Net Book Value brought forward as at 31 March 2011	**0**	**410,480**	**23,069**	**99,845**	**7,445**	**27,548**	**568,387**
Additions	0	28,424	4,200	9,294	404	21,868	64,190
Revaluations recognised in the revaluation reserve	0	1,446	0	0	0	0	1,446
Revaluations recognised in the CI&E	0	(8,604)	0	0	0	0	(8,604)
Disposals	0	(18,871)	(1,371)	(2,887)	0	0	(23,129)
Transfers	0	14,997	(12)	0	0	(16,468)	(1,483)
Depreciation	0	(8,651)	(7,124)	(4,512)	0	0	(20,287)
Impairments charged to the CI&E	0	(334)	(53)	(1,650)	0	0	(2,037)
Net Book Value carried forward as at 31 March 2012	**0**	**418,887**	**18,709**	**100,090**	**7,849**	**32,948**	**578,483**
Gross book value carried forward	0	447,126	42,266	123,202	7,849	32,948	653,391
Accumulated depreciation & impairment carried forward	0	(28,239)	(23,557)	(23,112)	0	0	(74,908)
Net Book Value carried forward as at 31 March 2012	**0**	**418,887**	**18,709**	**100,090**	**7,849**	**32,948**	**578,483**

PFI assets included in Property, Plant and Equipment £5.393m

Property, Plant and Equipment – Movement in the year 2012/13

	Other Land & Buildings	Vehicles, Plant Furniture & Equipment	Infrastructure	Community Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Gross book value brought forward	447,126	42,266	123,202	7,849	32,948	653,391
Accumulated depreciation & impairment brought forward	(28,239)	(23,557)	(23,112)	0	0	(74,908)
Net Book Value brought forward as at 31 March 2012	**418,887**	**18,709**	**100,090**	**7,849**	**32,948**	**578,483**
Additions	13,801	4,998	8,268	550	8,024	35,641
Revaluations recognised in the revaluation reserve	(6,839)	0	0	7	0	(6,832)
Revaluations recognised in the CI&E	(14,031)	0	0	0	0	(14,031)
Disposals	(46,238)	(354)	0	0	0	(46,592)
Transfers	29,724	0	0	0	(30,243)	(519)
Depreciation	(8,508)	(6,869)	(4,928)	0	0	(20,305)
Impairments recognised in the revaluation reserve	(961)	0	0	0	0	(961)
Impairments charged to the CI&E	(1,779)	0	0	0	0	(1,779)
Net Book Value carried forward as at 31 March 2013	**384,056**	**16,484**	**103,430**	**8,406**	**10,729**	**523,105**
Gross book value carried forward	415,435	39,958	131,470	8,406	10,729	605,998
Accumulated depreciation & impairment carried forward	(31,379)	(23,474)	(28,040)	0	0	(82,893)
Net Book Value carried forward as at 31 March 2013	**384,056**	**16,484**	**103,430**	**8,406**	**10,729**	**523,105**

PFI assets included in Property, Plant and Equipment £5.033m

For depreciation periods see Page 30.

The table below shows the progress of the Council's rolling programme for the revaluation of property, plant and equipment. The basis for the valuation is set out in Note 1 Accounting Policies.

	Other land and buildings £000s	Vehicles, plant and equipment £000s	Infrastructure assets £000s	Community assets £000s	Heritage assets £000s	Assets under construction £000s	Total Property, Plant & Equipment £000s
Valued at historical cost	2,681	16,484	103,430	8,406	9,678	10,729	151,408
Valued at current value in:							
2012/13	22,990	0	0	0	12,353	0	35,343
2011/12	42,140	0	0	0	43,232	0	85,372
2010/11	72,722	0	0	0	0	0	72,722
2009/10	219,424	0	0	0	0	0	219,424
2008/09	24,099	0	0	0	0	0	24,099
Total Fixed Assets	**384,056**	**16,484**	**103,430**	**8,406**	**65,263**	**10,729**	**588,368**

Revaluations

The Authority carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years, although material changes to asset valuations will be adjusted in the interim period as they occur.

Valuations for Operational and Investment Properties are provided by the Authority's in-house valuers led by Paul Brown M.R.I.C.S. – Corporate Property Services. The Council's interest in land held by the 10 district Councils around the Airport is based on a value obtained by Manchester City Council.

Heritage Assets: Summary of Transactions

The Code recommends a summary of acquisitions, donations and disposals by category relating to Heritage assets.

However, due to the number of them and their low value, it is not considered practical to list individual additions and disposals from the museum, archive and local studies collections in this document. All such acquisitions and disposals are formally recorded as a standard part of the procedures of the Library and Museum Service and can be seen as matter of public record (while taking into account certain data protection issues such as name and address of donors).

In summary, around 100 objects are acquired for the collections every year. The vast majority of these are donated by individuals or organisations and are social history items with nominal values. In 2012/13 325 items were purchased, these formed part of two significant collections. The highest value item purchased was the Constance

Howarth collection of 200 items which cost £1,000. All other purchased items were acquired at a significantly lower cost.

During the same time period a number of items have been disposed of from the collections as part of a rationalisation process carried out following accredited professional museum standards. The majority of these objects also had a low or nominal value.

Various items from the Egyptology and ethnography collections were revalued for insurance purposes during the year, when the items were loaned to other exhibitions.

There have been no acquisitions or disposals relating to the historic buildings, but they have been revalued at depreciated replacement cost, with a revaluation gain of £12m.

Apart from the buildings revaluations, it is considered that overall value of the heritage assets during 2012/13 has not been significantly altered by the additions and disposals mentioned.

Heritage Assets: Further Information on the Library & Museums' Collections

Bolton is fortunate to have cultural collections of particular breadth and quality, especially for a local authority of its size. Details of these assets and the Council's policies for the acquisition, preservation, management and disposal of Heritage assets can be seen under the Bolton Library & Museums Services section of the Council's website at http://www.boltonmuseums.org.uk/about

The collections are managed by Bolton Library and Museum Services, a service within the Chief Executive's Department. The Head of Service reports to the Director level within the department.

Professional officers (e.g. an archivist, local studies librarian, museum collection access officers) are employed within the service to actively manage the collections. As well as making recommendations for acquisitions and disposals where appropriate, they will also ensure that the collections are cared for, stored properly and update associated collection databases. Most importantly, they ensure the collections are actively used by answering enquiries, curating displays, delivering services for schools, running events and activities, talks and tours.

The collections are used for public interpretation (i.e. in exhibition and displays) at various venues across the Borough of Bolton. The main galleries are at the Bolton Central Library and Museum in Le Mans Crescent, plus the historic halls of Smithills Hall and Hall i' th' Wood. Smaller permanent displays can be found at various branch libraries.

All three major museum sites have been awarded museum Accreditation status and the archive is a legally recognised public repository. As is typical with most museums, around 5 to 10% of the collections are on display at any one time; with a far lower percentage for archive and library holdings. However, it should be emphasised that all the collections are publically accessible on request and are a much valued resource used for everything from serious academic study to student art projects.

Individual items from the museum collections are occasionally lent to other local, regional national and international museums. The Service will also take in some items on loan, usually for specific exhibitions. Entry, exit, care and insurance of such materials are strictly managed according to professional standards.
Transactions into and out of the collections are particularly tightly managed. All acquisitions are guided by a strict policy which dictates what material can be added to collections and in what circumstances. It also sets priority areas for active or passive collecting.

In addition, clear guidelines are given to circumstances in which disposals from the collections are allowed; for example where an item poses a risk to people or other parts of the collections, where it is deemed to fall outside the collection interest of the Service. The presumption is that material will be kept within the public domain via a transfer to another museum or heritage organisation where possible and appropriate.

All such policies, along with significant collection transactions (i.e major purchases and all proposed disposals) are subject to formal approval by Elected Members.

The management of the collections is guided by recognised and externally assessed professional museum and archive standards. These ensure that the collections are managed for the public good in a clear and accountable fashion and cover all aspects of museum and archive functions; including acquisition and disposal of material, public access, care of collections, documentation and record keeping, insurance and object movement.

Capital Commitments

At 31 March 2013, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and beyond. The major commitments are:

Approved and Contracted Schemes	**£000s**
Market 2014	3,703
Commission Street	1,293
Highways Capital Programme	786
Environmental Services Capital	1,224
Children’s Services Building Maintenance Programme	740
Primary Schools Expansion Programme	10,580
St Catherine’s Academy	609
Kearsley Academy	1,000
ESSA Academy	272
Smithills Occupation Project	1,741
Town Hall	231
Housing GRF Capital Schemes	205
Total	**22,384**

Schemes Approved But Not Contracted	£000s
Adult Services Capital Slippage	1,696
Autism Centre	2,050
Town Centres	1,000
Primary Schools Expansion Programme	7,280
Children's Services Building Maintenance Programme	2,234
Housing GRF Capital Slippage	1,359
Town Hall	6,250
Asset Management Plan – urgent works	979
Westhoughton Town Hall	750
Central Library/Museum	550
D&R Capital Slippage	1,530
Highways Capital Slippage	4,655
Environmental Services Capital	2,370
Total	**32,703**

8. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the CIES.

	2012/13 £000s	2011/12 £000s
Rental income from investment property	2,782	2,558
Direct operating expenses arising from investment property	(1,896)	(1,577)
Net gain/(loss)	**886**	**981**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2012/13 £000s	2011/12 £000s
Balance at start of the year	60,491	60,747
Additions: purchases	113	775
Disposals	(435)	(81)
Net gains/losses from fair value adjustments	(9,336)	(2,423)
Other changes	1,067	1,473
Balance at end of the year	**51,900**	**60,491**

9. Intangible Assets

The Authority regards the cost of purchased software as an intangible asset, which is amortised over its expected useful life. As at 31 March 2013 the net value of such assets amounted to £0.912m (£1.305m at 31 March 2012).

Accumulated amortisation as at 31 March 2013 is £1.2m (£1.5m at 31 March 2012).

10. Impairment Losses

During 2012/13, the Authority has recognised an impairment loss of £747k relating to the demolition of acquired private sector renewal properties, and £1.9m relating to the demolition of the Withins Leisure Centre.

11. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the balance sheet:

	Long-term		Current	
	31 March 2013 £000s	**31 March 2012 £000s**	**31 March 2013 £000s**	**31 March 2012 £000s**
Investments				
Loans and receivables:				
Banks and other financial institutions (net of impairment)	522	782	94,552	63,320
Available-for-sale financial assets (Manchester Airport)	29,300	0	0	0
Available-for-sale financial assets (JP Morgan Trust)	431	374	0	0
Unquoted equity investment at cost (Manchester Airport Group)	0	10,214	0	0
Unquoted equity investment at cost (Local Education Partnership)	27	28	0	0
Total Investments	**30,280**	**11,398**	**94,552**	**63,320**
Debtors				
Loans and receivables:				
Advances to Manchester Airport PLC	8,972	8,972	0	0
Mortgages	4	6	3	3
Tennis Arena Trust	290	293	0	0
Former Magistrates Authorities (10 Greater Manchester Districts)	972	1,110	0	0
Long term leasing	125	126	0	0
Financial assets carried at contract amounts	0	0	26,457	24,611
Total Debtors	**10,363**	**10,507**	**26,460**	**24,614**
Borrowings				
Financial liabilities at amortised cost – Market Loans	90,251	90,251	0	0
Short-term borrowings	0	0	784	782
LOBO Interest Rate Equalisation	693	711	17	17
Total Borrowings	**90,944**	**90,962**	**801**	**799**

	Long-term		Current	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
Other Long Term Liabilities				
Private Finance Initiative (PFI)	8,365	8,679	0	0
Finance Leases	1,345	1,865	0	0
Ex-GMC residual debt	9,511	10,431	950	900
Deferred liabilities	0	62	0	0
Total Other Long Term Liabilities	**19,221**	**21,037**	**950**	**900**
Creditors				
Financial liabilities carried at contract amounts	0	0	49,308	71,315
Total Creditors	**0**	**0**	**49,308**	**71,315**

The Council holds shareholdings in the following companies. In all cases there is no material trading relationship between the company and the Council.

- At the beginning of the year, the Council owned 10,214,000 fully paid £1 ordinary shares in Manchester Airport Group PLC which represented 5% of the issued share capital. On 1 March 2013 a new company was incorporated – Manchester Airports Holdings Ltd (MAHL). The voting shares of the new company are split equally between Manchester City Council and Codan Trust Company Ltd (acting in its capacity as a trustee of Industry Funds Management (IFM) Global Infrastructure Fund) with each party holding 10 voting shares. None voting shares in the capital of the company are allocated 35.5% each to Manchester City Council and IMF, and 29% between the other 9 district councils within Greater Manchester. Future dividends will be paid pro rata to the none voting shares. The company owns and operates the following airports – Manchester, East Midlands, Bournemouth and Stansted. Therefore Bolton Council owns 3.22% of the none voting shares and will receive 3.22% of the dividends. This change in structure has enabled the shareholding to be subject to a valuation using the earnings based method and discounted cash flow method. Manchester Airport is now carried at fair value in the accounts, whereas previously it was held at historic cost. Valuers have confirmed that it is impracticable to provide a retrospective fair valuation, and therefore no prior year adjustment was made.

- In the year the Council received dividends of £1,005,889. MAG's most recent accounts for the year ending 31 March 2012 indicated the company had net assets of £761.9m (£817.0m the previous year) and made a profit of £6.2m after taxation (£84.4m profit in the previous year). Further information and details of the Manchester Airport Group PLC financial statements may be obtained from the Company Secretary, Olympic House, Manchester Airport Group PLC, Manchester M90 1QX. MAHL accounts are not yet available.

- J.P. Morgan is an investment held for the benefit of the Maintenance of Graves in Perpetuity account.

- Local Education Partnership investment relates to Bolton's share of local authority investment in the Blackburn with Darwen and Bolton Local Education Partnership to deliver Building Schools for the Future.

Financial Instruments - Income, Expenses, Gains and Losses

	2012/13					2011/12				
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and liabilities at Fair Value through Profit and Loss	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and liabilities at Fair Value through Profit and Loss	Total
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Interest expense	3,945	0	0	0	**3,945**	3,835	0	0	0	**3,835**
Total expense in Surplus or Deficit on the Provision of Services	**3,945**	**0**	**0**	**0**	**3,945**	**3,835**	**0**	**0**	**0**	**3,835**
Interest income and dividends	0	1,486	16	1,006	**2,508**	0	1,002	13	1,000	**2,015**
Interest income accrued on impaired financial assets	0	98	0	0	**98**	0	159	0	0	**159**
Total income in Surplus or Deficit on the Provision of Services	**0**	**1,584**	**16**	**1,006**	**2,606**	**0**	**1,161**	**13**	**1,000**	**2,174**
Gains on revaluation	0	0	19,143	0	**19,143**	0	0	57	0	**57**
Surplus/Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**19,143**	**0**	**19,143**	**0**	**0**	**57**	**0**	**57**
Net gain/(loss) for the year	**(3,945)**	**1,584**	**19,159**	**1,006**	**17,804**	**(3,835)**	**1,161**	**70**	**1,000**	**(1,604)**

Fair value of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For loans the PWLB premature repayment rates from the PWLB at 31 March 2013 have been applied to provide the fair value for all loans using PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment is recognised, impairment has been provided separately within the Bad Debt Provision;
- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2013		**31 March 2012**	
	Carrying amount £000s	**Fair value £000s**	**Carrying amount £000s**	**Fair value £000s**
Financial Liabilities:				
Market Loans	90,961	95,019	90,979	93,213
Trade Creditors	49,308	49,308	71,315	71,315
Bank Overdrawn and Short Term Borrowing	6,051	6,048	7,092	7,092
Total Financial Liabilities	**146,320**	**150,375**	**169,386**	**171,620**

The fair value of liabilities is higher than the carrying amount because the Authority's borrowing portfolio includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

	31 March 2013		**31 March 2012**	
	Carrying amount £000s	**Fair value £000s**	**Carrying amount £000s**	**Fair value £000s**
Loans and receivables:				
Loan to Manchester Airport	8,972	8,972	8,972	8,972
Money Market Loans Less than One Year	94,552	94,552	63,077	63,077
Money Market Loans More than One Year	522	522	1,028	1,028
Trade Debtors	26,095	26,095	24,614	24,614
Total Loans and Receivables	**130,141**	**130,141**	**97,691**	**97,691**

The fair value of money market loans is equal to the carrying amount because there were no money market loans with more than a year to run at the Balance Sheet date other than those which had been subject to impairment adjustment.

Available-for-sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

12. Nature and Extent of Risks Arising from Financial Instruments

Key Risks

The authority's activities expose it to a variety of financial risks. The key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in interest rates movements.

The Authority's overall treasury management activity is carried out with awareness of the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury function, under policies approved by the Council.

Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;

- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;

- by approving annually in advance prudential and treasury indicators for the following three years limiting:

    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures to the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported on a quarterly basis.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 22 February 2012 and is available on the Council website.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The rating criteria use the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance a negative rating watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

The criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) is:

- **Banks/Building Societies–** the Council will only use UK banks and building societies which have at least the following Fitch, Moody's and Standard and Poors ratings (where rated):

- Short Term – *F1/P1/A1*
- Long Term – *A-/A3/A-*
- Individual / Financial Strength – *C/C* (Fitch / Moody's only)
- Support – *3* (Fitch only)

- In addition the Council will use those banks which are classed as *an Eligible Institution for the HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008;* with the necessary short and long term ratings required of the Banks/Building Societies above. These institutions have been subject to suitability checks before inclusion, and have access to HM Treasury liquidity if needed.
  - The Council's own banker (Co-operative Bank) if this falls below the above criteria;
  - **Money Market Funds** – *AAA;*
  - **UK Government** (including gilts and the DMADF); and
  - **Local Authorities and Parish Councils**.

The full Investment Strategy for 2012/13 was approved by Full Council on 22 February 2012 and is available on the Council's website.

Deposits are not made with banks and financial institutions unless they are rated independently to have a sound credit rating. The Authority has a policy of not lending more than £10m of its surplus balances to any one institution. Based upon past experience the investments held at the 31 March 2013 were of a low risk of default.

Where significant contracts are being entered in to customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Source of Loan	Interest Rates	Total Outstanding 31 March	
		2012/13	2011/12
	%	£000s	£000s
Bonds	3.00 to 12.125	90,250	90,250
Mortgages	3.33	1	1
Total Borrowing		**90,251**	**90,251**
Less: Due Within 12 Months on Demand		0	0
		90,251	**90,251**
An Analysis of Loans by Maturity at 31 March :			
Amounts of Principal to be Repaid			
Within 1 year		70,250	52,250
In 1 to 2 Years		0	18,000
In 2 to 5 Years		10,000	10,000
In 5 to 10 Years		0	0
10 - 20 Years		10,000	10,000
20 – 30 Years		0	0
30 – 40 Years		0	0
40 -50 Years		0	0
After 50 Years		1	1
		90,251	**90,251**

Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council’s day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. Prudential Indicators limit the proportion of debt maturities in any period. A combination of careful planning when a new loan is taken out and making early repayment (when it is economic to do so) allows maturity patterns to be managed.

Market risk

Interest rate risk

The Authority is exposed to some risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- Investments at fixed rates – are largely short term and thus there would be no balance sheet effect.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the CIES or MIRS. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance £ for £.

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 90% of its borrowings in variable rate loans, 58% of the borrowings held at the 31 March 2013 were 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 and the Authority's cost of borrowing thus providing compensation for a proportion of any higher costs.

The treasury management function 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 during the year. This allows any adverse changes to be accommodated. The analysis will also advise on the impact of new borrowing taken out.

According to this assessment, if interest rates had been higher with all other variables held constant, the financial effect would be beneficial to General Fund.

The impact of a fall in interest rates would adversely impact on General Fund but in year monitoring will allow the budget strategy to be amended accordingly.

The impact of a 1% increase in interest rates has been assessed as follows:

	£000s
Increase in interest payable on variable rate borrowings	525
Increase in interest receivable on variable rate investments	(140)
Increase in government grant receivable for financing costs	0
Impact on Income and Expenditure Account	**385**
Share of overall impact credited to the HRA	**0**
Decrease in fair value of "available-for-sale" investment assets	287
Impact on MIRS	287
Decrease in fair value of fixed rate investment assets – (no impact on CIES & MIRS)	**0**

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

Price risk

The Authority does not generally invest in equity shares or marketable bonds but does have a holding to the value of £0.4m in an investment trust, which will only be realised in favourable circumstances. The Authority consequently has minimal exposure to losses arising from movements in the prices of the shares. The unquoted equity investments in Manchester Airport Group and Blackburn with Darwen and Bolton Local Education Partnership are shown at fair value and historic cost respectively.

The holding in the investment trust is classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in the MIRS. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £22,000 gain or loss being recognised in the MIRS.

Foreign exchange risk

The Council has foreign exchange exposure resulting from an element of the settlement received from Landisbanki. This is being held in Icelandic kroner in an escrow account due to the current imposition of currency controls.

13. Inventories

	Consumable Stock	
	2012/13 £000s	**2011/12 £000s**
Balance outstanding at start of year	886	814
Purchases	287	354
Recognised as an expense in the year	(288)	(263)
Written off balances	(4)	0
Reversals of write-offs in previous years	0	(19)
Balance outstanding at year end	**881**	**886**

14. Debtors

	31 March 2013 £000s	**31 March 2012 £000s**
Central government bodies	11,115	7,757
Other local authorities	656	470
NHS bodies	186	7
Public corporations	11,288	11,315
Other entities	16,231	13,567
Sub total	**39,476**	**33,116**
Less: Provision for Bad Debts	(13,016)	(8,502)
Total	**26,460**	**24,614**

15. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2012 £000s		31 March 2013 £000s
	Cash held by the Authority	
8,665	Bank current accounts	8,277
39,025	Bank Call accounts and Money Market Funds	14,711
47,690	**Total Cash held by the Authority**	22,988
(6,310)	Bank Overdraft	(5,267)
41,380	**Total Cash and Cash Equivalents**	**17,721**

16. Creditors

	31 March 2013 £000s	31 March 2012 £000s
Central government bodies	7,351	9,460
Other local authorities	1,126	855
NHS bodies	82	5,639
Public corporations and trading funds	22,749	32,243
Other entities and individuals	12,954	15,932
Teacher's Pensions Scheme	1,774	1,678
Short term accumulated absences account	3,272	5,508
Total	**49,308**	**71,315**

17. Provisions

	Self-insurance – liability & fire (1) £000s	Equal Pay (2) £000s	Deferred Leavers (3) £000s	Carbon Reduction Commitment (4) £000s	Other (5) £000s	Total £000s
Balance at 1 April 2012	**17,461**	**166**	**0**	**344**	**21**	**17,992**
Additions in year	3,071	232	1,113	268	28	**4,712**
Amounts used in year	(3,135)	(166)	0	(326)	(21)	**(3,648)**
Unused amounts reversed in year	(4,419)	0	0	(18)	0	**(4,437)**
Balance at 31 March 2013	**12,978**	**232**	**1,113**	**268**	**28**	**14,619**
Split as:						
Short term	1,854	232	1,113	268	0	3,467
Long term	11,124	0	0	0	28	11,152
Total	**12,978**	**232**	**1,113**	**268**	**28**	**14,619**

Notes

1. In accordance with IAS 37 the Insurance Liabilities at 31 March 2013 are estimated to be £12,978,000.
2. Under the Equal Pay Act 1970 as modified by the Equal Pay Act (Amendment) Regulations 2003 employees may lodge claims for compensation from their employer for failing to give equal pay for work of equal value. This provision has been made to cover the potential future costs of known Equal Pay claims.
3. Employees who have taken Voluntary Severance or Retirement and who have received signed acceptance letters, but who have a deferred leaving date after 31 March 2013.
4. 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. The provision created relates to 2012/13 liabilities.
5. All other provisions are individually insignificant.

18. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2011/12 £000s		2012/13 £000s
1,148	Interest received	1,410
(3,815)	Interest paid	(3,943)
1,000	Dividends received	1,006

19. Cash Flow Statement - Investing Activities

2011/12 £000s		2012/13 £000s
(65,876)	Purchase of property, plant and equipment, investment property and intangible assets	(40,347)
(113,600)	Purchase of short-term and long-term investments	(170,700)
3,155	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,023
92,602	Proceeds from short-term and long-term investments	139,486
(83,719)	**Net cash flows from investing activities**	**(66,538)**

20. Cash Flow Statement - Financing Activities

2011/12 £000s		2012/13 £000s
36,575	Cash receipts of short-term and long-term borrowing	0
(23,575)	Repayments of short-term and long-term borrowing	0
13,000	**Net cash flows from financing activities**	**0**

21. 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 SeRCOP. However, decisions about resource allocation are taken by the Authority's Executive on the basis of budget reports analysed across departments. A reconciliation between the CIES basis of analysis and the Authority's management accounts is as follows:

The income and expenditure of the Authority's Service Departments recorded in the Outturn reports for 2012/13 is as follows:

	Adults £000s	Asylum Seekers & Other £000s	Central Departments £000s	Children's Services £000s	Development & Regeneration £000s	Environmental Services £000s	Financial Services £000s	Housing GRF £000s	Directorate Analysis Total £000s
Fees, charges & other service income	(42,268)	(1,335)	(29,000)	(37,690)	(2,033)	(46,362)	(8,082)	(7,798)	(174,568)
Government grants & contributions	0	0	(127,628)	(218,998)	(2,461)	(473)	(1,551)	(1)	(351,112)
Total income	**(42,268)**	**(1,335)**	**(156,628)**	**(256,688)**	**(4,494)**	**(46,835)**	**(9,633)**	**(7,799)**	**(525,680)**
Employee expenses	33,527	255	25,159	198,770	3,109	30,166	3,436	2,315	296,737
Other service expenses	68,202	958	155,329	103,167	8,478	42,250	66,193	7,770	452,347
Support service recharges	7	122	9,860	5,548	659	445	1	72	16,714
Total net expenditure	**101,736**	**1,335**	**190,348**	**307,485**	**12,246**	**72,861**	**69,630**	**10,157**	**765,798**
Net Expenditure	**59,468**	**0**	**33,720**	**50,797**	**7,752**	**26,026**	**59,997**	**2,358**	**240,118**

The income and expenditure of the Authority's Service Departments recorded in the Outturn reports for 2011/12 is as follows:

	Adults	Asylum Seekers & Other	Central Departments	Children's Services	Development & Regeneration	Environmental Services	Financial Services	Housing HRA	Housing GRF	Total
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Fees, charges & other service income	(37,393)	(1,481)	(30,051)	(22,496)	(9,011)	(47,616)	(3,200)	(1,658)	(5,789)	(158,695)
Government grants & contributions	(158)	0	(121,300)	(225,907)	0	0	(896)	(1,414)	(2,244)	(351,919)
Total income	**(37,551)**	**(1,481)**	**(151,351)**	**(248,403)**	**(9,011)**	**(47,616)**	**(4,096)**	**(3,072)**	**(8,033)**	**(510,614)**
Employee expenses	38,127	286	23,910	198,252	3,328	30,154	7,630	45	2,960	304,692
Other service expenses	65,967	1,136	147,814	91,801	13,614	43,213	53,369	3,027	7,044	426,985
Support service recharges	6	59	10,316	12,837	336	304	383	0	998	25,239
Total net expenditure	**104,100**	**1,481**	**182,040**	**302,890**	**17,278**	**73,671**	**61,382**	**3,072**	**11,002**	**756,916**
Net Expenditure	**66,549**	**0**	**30,689**	**54,487**	**8,267**	**26,055**	**57,286**	**0**	**2,969**	**246,302**

Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement.

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the CIES.

2012/13

	£000s
Directorate analysis	240,118
Amounts in the Comprehensive Income and Expenditure Statement not reported to Management in the analysis	31,597
Amounts in the analysis not included in the Comprehensive Income and Expenditure Statement	(49,668)
Net Cost of Services in the Comprehensive Income and Expenditure Statement	**222,047**

2011/12

	£000s
Directorate analysis	246,302
Amounts in the Comprehensive Income and Expenditure Statement not reported to Management in the analysis	28,400
Amounts in the analysis not included in the Comprehensive Income and Expenditure Statement	(41,680)
Net Cost of Services in the Comprehensive Income and Expenditure Statement	**233,022**

Reconciliation to Subjective Analysis

2012/13

	Directorate Analysis £000s	Amounts not reported to management but in cost of services £000s	Amounts reported to management but not in CI&E £000s	Allocation of recharges £000s	Cost of services £000s	Corporate amounts £000s	Total £000s
Fees, charges and other service income	(168,815)	0	23,566	16,642	**(128,607)**	0	**(128,607)**
Interest and investment income	(5,753)	0	5,753	0	**0**	(5,753)	**(5,753)**
Income from council tax	0	0	0	0	**0**	(102,120)	**(102,120)**
Government grants and contributions	(351,112)	0	1,153	0	**(349,959)**	(160,925)	**(510,884)**
Total Income	**(525,680)**	**0**	**30,472**	**16,642**	**(478,566)**	**(268,798)**	**(747,364)**
Employee expenses	296,735	(2,877)	(11,180)	0	**282,678**	7,500	**290,178**
Other service expenses	444,871	39	(61,497)	0	**383,413**	0	**383,413**
Support service recharges	16,714	0	(72)	(16,642)	**0**	0	**0**
Depreciation, amortisation & impairment	0	34,435	0	0	**34,435**	0	**34,435**
Interest payments & other investments	7,478	0	(7,391)	0	**87**	14,790	**14,877**
Precepts & levies	0	0	0	0	**0**	365	**365**
Payments to Housing Capital Receipts Pool	0	0	0	0	**0**	(1,768)	**(1,768)**
(Gain)/loss on disposal of non- current assets	0	0	0	0	**0**	45,649	**45,649**
Total Expenditure	**765,798**	**31,597**	**(80,140)**	**(16,642)**	**700,613**	**66,536**	**767,149**
(Surplus)/deficit on provision of services	**240,118**	**31,597**	**(49,668)**	**0**	**222,047**	**(202,262)**	**19,785**

2011/12

	Directorate Analysis £000s	Amounts not reported to management but in cost of services £000s	Amounts reported to management but not in CI&E £000s	Allocation of recharges £000s	Cost of services £000s	Corporate amounts £000s	Total £000s
Fees, charges and other service income	(154,936)	0	24,172	25,204	**(105,560)**	0	**(105,560)**
Interest and investment income	(3,760)	0	3,760	0	**0**	(3,760)	**(3,760)**
Income from council tax	0	0	0	0	**0**	(102,712)	**(102,712)**
Government grants and contributions	(351,918)	0	984	0	**(350,934)**	(213,794)	**(564,728)**
Total Income	**(510,614)**	**0**	**28,916**	**25,204**	**(456,494)**	**(320,266)**	**(776,760)**
Employee expenses	304,692	(2,331)	(11,493)	0	**290,868**	1,500	**292,368**
Other service expenses	421,873	1,441	(54,058)	0	**369,256**	0	**369,256**
Support service recharges	25,239	0	(35)	(25,204)	**0**	0	**0**
Depreciation, amortisation & impairment	0	29,290	0	0	**29,290**	0	**29,290**
Interest payments & other investments	5,112	0	(5,010)	0	**102**	7,266	**7,368**
Precepts & levies	0	0	0	0	**0**	365	**365**
(Gain)/loss on disposal of non-current assets	0	0	0	0	**0**	21,355	**21,355**
Total Expenditure	**756,916**	**28,400**	**(70,596)**	**(25,204)**	**689,516**	**30,486**	**720,002**
(Surplus)/deficit on provision of services	**246,302**	**28,400**	**(41,680)**	**0**	**233,022**	**(289,780)**	**(56,758)**

22. Trading Operations

Activity	Note	2012/13			2011/12			2010/11		
		Income £000s	Expenditure £000s	(Surplus) / Deficit £000s	Income £000s	Expenditure £000s	(Surplus) / Deficit £000s	Income £000s	Expenditure £000s	(Surplus) / Deficit £000s
Markets	1	1,474	1,369	(105)	1,653	1,538	(115)	2,718	2,602	(116)
Building Control	2	356	356	0	411	411	0	428	428	0
Special Needs Transport	3	4,492	4,465	(27)	4,627	4,602	(25)	4,658	4,737	79
Security & Response	4	1,729	1,904	175	1,754	1,972	218	1,695	1,902	207
Schools & Welfare Catering	5	6,191	7,121	930	6,177	7,268	1,091	6,339	6,941	602
Fleet Management	6	8,279	8,097	(182)	5,750	5,519	(231)	7,023	6,798	(225)
Building Cleaning	7	2,671	2,798	127	2,849	2,977	128	3,561	3,623	62
Legal	8	1,837	1,837	0	1,891	1,891	0	2,087	2,087	0
Civic Cleaning	9	786	685	(101)	680	558	(122)	524	651	127
(Surplus) / Deficit		**27,815**	**28,632**	**817**	**25,792**	**26,736**	**944**	**29,033**	**29,769**	**736**

Note:

1. **Markets –** this activity hosts retail markets in Bolton, Farnworth, Horwich & Westhoughton and also delivers local produce markets and special events such as the Food & Drink Festival.

2. **Building Control** - ensures that buildings are constructed and altered so that they comply with Building Regulations, that dangerous structures are made safe, and that demolitions are done in as safe a manner as possible.

3. **Special Needs Transport** – transports vulnerable clients on behalf of Children's Services and Adult Services.

4. **Security & Response** - provide services to internal Council departments including courier, porter services, CCTV and security control room.

5. **Schools and Welfare Catering –** manages the catering service to primary and secondary schools in Bolton, and also provides advice on catering, nutrition and kitchen facilities across the borough.

6. **Fleet Management –** transport & fleet maintenance is utilised by all services across the Council and Bolton At Home. It provides an independent MOT service available to the public and a taxi testing unit.

7. **Building Cleaning** - currently delivers a comprehensive, professional cleaning service in approximately 200 buildings across the Council, including 80 Primary and 10 Secondary schools and office accommodation used by Bolton at Home, Adult and Children's Services, D&R, Corporate Resources and Environmental Services. The service has recently been rigorously tested under Best Value principles and is regularly benchmarked with other service providers to ensure value for money.

8. **Legal** - Legal Services provide legal advice on council functions and represent the council in courts, tribunals and inquiries. The main clients are the Council's 5 departments, but a small amount of work is done for outside bodies such as Bolton at Home. There are three legal teams led by senior lawyers; Social services, Environmental & Corporate and property. Work is charged at an hourly rate at the level appropriate to the officers involved.

9. **Civic Cleaning** - provides a comprehensive, professional cleaning service within Civic Buildings.

23. Agency Services

The Authority provides Accommodation services for Refugees on behalf of the North West Consortium (NWC). The North West Consortium (NWC) agrees a fee dependant on type of contract and number of occupants/length of stay. The service currently utilises 175 properties. The contract ceased on 31 December 2012.

	2012/13 £000s	**2011/12 £000s**
Expenditure incurred in providing accommodation services for Refugees on behalf of the North West Consortium	583	497
Management fee payable by the North West Consortium	(583)	(497)
Net surplus arising on the agency agreement	**0**	**0**

24. Pooled Budgets

Adult and Community Services have two formal pooled budget arrangement. Formal arrangements are in place using section 75 of the Health Act (2006):

- **Lead Commissioning and Pooled Budget Arrangements for an Integrated Equipment Service –** this is an equipment store that is provided by Adult and Community Services on behalf of local NHS Bodies and Children's Services. It is a borough-wide service.

- **Lead Commissioning and Pooled Budget Arrangements for Drugs and Alcohol Services –** this is a service that is provided by Adult and Community Services on behalf of and funded by local NHS Bodies.

The pooled budgets are both hosted by the Council on behalf of the two partners to the agreement.

Integrated Equipment Service	2012/13		2011/12	
	£000s	£000s	£000s	£000s
Funding provided to the pooled budget:				
- The Authority	(1,146)		(933)	
- NHS Bodies	(347)		(356)	
		(1,493)		(1,289)
Expenditure met from the pooled budget:				
- The Authority	1,405		1,201	
- NHS Bodies	88		88	
		1,493		1,289
Net surplus arising on the pooled budget during the year		0		0
Authority share of the net surplus arising on the pooled budget		n/a		n/a

Drugs and Alcohol Service	2012/13		2011/12	
	£000s	£000s	£000s	£000s
Funding provided to the pooled budget:				
- The Authority	0		0	
- NHS Bodies	(1,250)		(1,527)	
		(1,250)		(1,527)
Expenditure met from the pooled budget:				
- The Authority	1,250		1,177	
- NHS Bodies	0		0	
		1,250		1,177
Net surplus arising on the pooled budget during the year		0		(350)
Authority share of the net surplus arising on the pooled budget		n/a		0

In 2011/12 there was an underspend on the budget of £350,234. This was clawed back by the local NHS Body as a reduction in the 2012/13 contribution.

25. Members' Allowances

The Authority paid the following amounts to Members of the Council during the year:

	2012/13 £000s	2011/12 £000s
Allowances	846	866
Expenses	1	2
Total	**847**	**868**

26. Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows – there were no benefits in kind:

						2011-12
	Salary including Fees and Allowances	**Expense Allowance**	**Total Remuneration Excluding Pension Contributions**	**Pension Contributions**	**Total Remuneration Including Pension Contributions**	**Total Remuneration Including Pension Contributions**
	£	**£**	**£**	**£**	**£**	**£**
Chief Executive: Sean Harriss	170,000	0	170,000	29,240	199,240	188,327
Deputy Chief Executive	132,500	0	132,500	0	132,500	154,363
Director of Children's Services	130,833	198	131,031	22,503	153,534	151,450
Director of Development and Regeneration	130,000	0	130,000	22,360	152,360	151,450
Director of Adult and Community Services *	65,000	0	65,000	11,180	76,180	151,450
Director of Environmental Services	110,000	0	110,000	18,920	128,920	128,150
Director of Chief Executive's Department **	18,333	0	18,333	3,153	21,486	128,437
	756,666	**198**	**756,864**	**107,356**	**864,220**	**1,053,627**

***** The Director of Adult and Community Services left the Authority on 30 September 2012
****** The Director of Chief Executive's Department left the Authority on 31 May 2012

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

	Teachers		Other Staff	
	2012/13	2011/12	2012/13	2011/12
£50,000 - £54,999	78	79	29	19
£55,000 - £59,999	43	45	12	11
£60,000 - £64,999	31	23	3	6
£65,000 - £69,999	8	9	2	2
£70,000 - £74,999	6	9	3	5
£75,000 - £79,999	4	7	4	5
£80,000 - £84,999	5	1	5	5
£85,000 - £89,999	2	2	0	0
£90,000 - £94,999	1	1	0	1
£95,000 - £99,999	3	2	0	0
£100,000-£104,999	0	1	0	0
£105,000-£109,999	1	1	1	2
£110,000-£114,999	1	0	0	0
£115,000-£119,999	0	0	0	0
£120,000-£124,999	0	0	0	0
£125,000-£129,999	0	0	2	4
£130,000-£134,999	0	0	2	1
£135,000-£139,999	0	0	0	0
£140,000-£144,999	0	0	0	0
£145,000-£149,999	0	0	0	0
£150,000-£154,999	0	0	0	0
£155,000-£159,999	0	0	0	0
£160,000-£164,999	0	0	0	1
£165,000-£169,999	0	0	1	0

The number of exit packages with total cost per band including the cost of ill health retirements and total cost of voluntary redundancies are set out in the table below. There were no compulsory redundancies.

Exit package cost band (including special payments)	**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2011/12	**2012/13**	**2011/12 £**	**2012/13 £**
£0-£20,000	439	191	3,701,776	1,766,143
£20,001-£40,000	70	38	1,965,461	1,100,461
£40,001-£60,000	9	9	429,560	434,789
£60,001-£80,000	2	3	154,064	202,507
£80,001-£100,000	2	3	166,575	286,910
£100,000-£150,000	1	1	132,567	105,455
£150,000-£200,000	1	1	188,746	199,437
£200,000-£250,000	0	0	0	0
£250,000-£300,000	0	1	0	260,046
£300,000-£350,000	0	0	0	0
£350,000-£400,000	0	1	0	361,750
Total	**524**	**248**	**6,738,749**	**4,717,498**

27. Termination Benefits

The Authority terminated the contracts of 248 employees (524 in 2011/12), incurring liabilities of £4,717,498 (£6,738,749 in 2011/12).

Of this amount £2,665,469 was made in respect of voluntary severance and redundancy payments (£4,910,300 in 2011/12), and £2,052,029 (£1,828,449 in 2011/12) was to cover the capitalisation costs of pensions.

28. 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). An element of DSG is recouped by the Department to fund academy schools in the council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. 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 budget share for each maintained school.

Details of the deployment of DSG receivable for 2012/13 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure £000s	**Individual Schools Budget £000s**	**Total £000s**
Final DSG for 2012-13 before Academy Recoupment			219,942
Academy figure recouped for 2012-13			(18,205)
Total DSG after Academy Recoupment for 2012-13			201,737
Brought Forward from 2011-12			5,326
Carry Forward to 2013-14 agreed in advance			(5,326)
			201,737
Agreed Budget Distribution in 2012-13	17,962	185,545	203,507
In year adjustments	470	(2,240)	(1,770)
Final Budget Distribution 2012-13	18,432	183,305	201,737
Actual Central Expenditure	17,165	0	17,165
Actual ISB deployed to Schools	0	183,305	183,305
Carryforward to 2013-14	1,267	0	1,267
Carryforward from 2011-12			5,326
Carryforward to 2013-14			6,593

29. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

	2012/13 £000s	2011/12 £000s
Credited to Taxation and Non Specific Grant Income:		
Revenue Support Grant (RSG)	2,278	30,234
Early Intervention Grant	15,482	14,901
Local Services Support Grant	861	984
Council Tax Freeze Grant (included in RSG for 2012/13)	0	2,525
Council Tax Freeze Grant (included in RSG for 2013/14)	2,534	0
Capital Grants	22,291	67,340
Total	**43,446**	**115,984**
Credited to Services:		
Housing Revenue Account Subsidy	0	1,093
Supporting People	0	2,064
PFI Special Grant	1,014	1,014
Council Tax Benefit Subsidy	24,261	24,341
Rent Allowance Subsidy	96,441	90,506
HRA Rent Rebates Subsidy	(34)	58
Non-HRA Rent Rebates Subsidy	1,501	1,331
HB and Council Tax Benefit Admin Grant	2,614	2,609
Dedicated Schools Grant	202,061	203,651
Schools Standards Grant and Schools Standards Funds	11,278	6,342
Other Revenue Grants, reimbursements and contributions (Government)	27,602	17,925
Other Revenue Grants, reimbursements and contributions (Non-Government)	1,921	1,517
Total	**368,659**	**352,451**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the end of 2012/13 are as follows:

	2012/13 £000s	2011/12 £000s
Capital Grants Receipts in Advance		
Standards Fund	830	6,855
Learning Disability and Development Grant	101	100
Other Grants	51	53
Total	**982**	**7,008**
Revenue Grants Receipts in Advance		
Department of Health	0	267
Philanthropic Egyptology Gift (by local benefactor)	250	0
Home Office	186	204
NRF	0	167
Technology Board	135	0
Heritage Lottery/Big Lottery	55	96
Other Grants	175	309
Total	**801**	**1,043**

30. Related Parties

Related parties are individuals or organisations which have the potential to control or influence the Council or be controlled or influenced by the Council, or are subject to common control.

Central Government has effective control over local authorities as Councils are incapable of acting without statutory authority. Details of transactions with government departments are set out in the Cash Flow Statement whilst debtors and creditors are disclosed in the relevant note to the Balance Sheet.

Members of the Council determine Council policy.

One Councillor has a private interest with regards Social Care provision. The Council places individual contracts as required and made payments to this organisation amounting to £228,042 in 2012/13 to meet the Council's obligations with regards supported residents.

One Councillor is a director of a highways construction company which the Council employs as a contractor following normal tendering practices. Expenditure with the company is recorded at £152,468 in the Council's accounts.

Chief Officers of the Council are the principal policy advisors and executives.

The Deputy Chief Executive and two Councillors are Bolton Council's representatives on the Board of the Octagon Theatre Trust. The Council has one vote out of a total of twelve on voting matters. For a considerable number of years the Council has paid the Trust a grant towards the running expenses of the Theatre. This amounted to £145,380 in both 2012/13 and 2011/12.

A Register of Members Interests is maintained and is available for public inspection by contacting the Members Services Officer (01204 331035). Details of payments to members are also available by contacting the Members Services Officer.

Joint Venture

On 6 December 2011 the Council entered into an agreement with BV Strategies Facilitating Ltd to establish a Limited Liability Partnership, trading as PSP Bolton LLP. The partnership has been established to facilitate property related projects, which could include the identification and disposal of surplus assets, facilitation of regeneration schemes, portfolio management and the investment of private sector funds in projects to mutual benefit.

The partnership has an accounting date as at 30 April.

The LLP's provisional financial position for the period 6 December 2011 to 31st March 2013 is summarised below:

	16 months To 31 March 2013 £000
Stock of properties	104
Costs incurred	12
Status of accounts	Draft

The partnership was working on 8 Council owned assets at 31 March 2013, and the stock value represents costs incurred on those up to that date. Council assets are not transferred to the partnership nor to any third party until the final sale is achieved. As at 31 March 2013, these 8 assets were still assets of Bolton Council and are shown on the balance sheet.

The partnership incurs the costs accrued progressing a specific project with any net profits shared between the partners via an agreed formula.

For the purposes of consolidated (group) accounting, the partnership represents a Joint Venture entity, in which the Council and BV Strategies Facilitating Ltd have joint control, according to a Members agreement. However, as this is the partnership's first year of trading and because no projects have yet been concluded, the results for the period to March 2013 are not material and are therefore not consolidated into group accounts for the Council.

Other material related party transactions

Bolton Community Leisure Trust: was established to manage several of the Council's leisure centres. In 2012/13 the Trust received grant funding from the Council of £2.651m (£2.847 in 2011/12) towards running costs of the facilities.

Related party transactions with National Health Service bodies amounted to income to the Council of £20.5m in 2012/13 (£13.6m in 2011/12). This income relates to various schemes and included NHS support for Social Care and Funding for Drugs and Alcohol support.

The Greater Manchester Combined Authority (GMCA) was formally established on 1 April 2011 following agreement between the 10 Greater Manchester Councils and Central Government. GMCA has been established to co-ordinate key economic development, regeneration and transport functions and will, in the future, have financial implications which will impact on the availability and use of resources by the Council.

The Transport for Greater Manchester Executive is the executive body of GMCA in relation to its transport functions.

The Association of Greater Manchester Authorities (AGMA) is a partnership between the 10 Greater Manchester Councils. They co-operate on a number of issues, both statutory and non-statutory, where there is a possibility of improving service delivery by working together. A number of AGMA units exist which the Council contributes to and the expenditure is contained within the relevant service headings in the CIES.

Other Public Bodies:

Included in the CIES within net cost of services are the following amounts that are charged as levies for services not directly provided by the Council:

Transport for Greater Manchester £19.4m (£18.8m in 2011/12)

Greater Manchester Waste Disposal Authority £19.3m (£15.8m in 2011/12)

The Environment Agency £0.1m (£0.1m in 2011/12)

Other related parties disclosed elsewhere in the Statement of Accounts:

- Pooled Budget arrangements with local NHS Bodies are disclosed in Note 24
- Pension funds are disclosed in Notes 35 and 36
- The Council holds long term investments in companies and these are disclosed in Note 11.

31. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note:

	Note	2012/13 £000s	2011/12 £000s
Opening Capital Financing Requirement		235,626	241,762
Capital Investment			
Property, Plant and Equipment	**7**	35,641	64,190
Investment Properties	**8**	113	775
Intangible Assets	**9**	47	371
Revenue Expenditure Funded from Capital under Statute		235	1,766
Sources of Finance			
Capital receipts		(3,819)	(2,774)
Government grants and other contributions		(18,216)	(43,791)
Sums set aside from revenue:			
Direct revenue contributions		(14,299)	(8,222)
MRP/loans fund principal		(13,320)	(18,451)
Closing Capital Financing Requirement		**222,008**	**235,626**
Explanation of movements in year			
Increase/ (Decrease) in underlying need to borrow (unsupported by government financial assistance)		(13,618)	(6,136)
Increase/decrease in Capital Financing Requirement		**(13,618)**	**(6,136)**

32. Leases

Authority as Lessee

Finance Leases

The Council has acquired an administrative building, a fleet of vehicles in the Environmental Services Department and its multi-functional office devices under finance leases.

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

	31 March 2013 £000	31 March 2012 £000
Other Land and Buildings	1,422	1,390
Vehicles, Plant, Furniture and Equipment	1,057	1,557
Total leased assets	**2,479**	**2,947**

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

	31 March 2013	31 March 2012
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):		
Current	543	519
Non-current	803	1,345
Finance costs payable in future years	2,102	2,182
Minimum lease payments	**3,448**	**4,046**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Not later than one year	604	598	543	519
Later than one year and not later than five years	611	1,186	481	1,023
Later than five years	2,233	2,262	322	322
Minimum lease payments	**3,448**	**4,046**	**1,346**	**1,864**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/13 contingent rents payable by the Authority were £255k (2011/12 £255k). The Authority has sub-let some of a property held under a finance lease. At 31 March 2013 the minimum payments expected to be received under non-cancellable sub-leases was £116k (£116k at 31 March 2012).

Operating Leases

The Authority leases property for administrative purposes, and also leases office equipment in schools.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2013	31 March 2012
	£000	**£000**
Not later than one year	896	1,373
Later than one year and not later than five years	1,859	2,457
Later than five years	2,599	2,893
	5,354	**6,723**

The expenditure in the year of £1,739,103 in relation to these leases was charged to the relevant service lines (2011/12 £2,107,522).

Authority as Lessor

Finance Leases

The Authority has leased out property at Paderborn House and at Newport St, both under finance leases with 16 and 55 years remaining, respectively.

The Authority has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The residual value is nil. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2013	31 March 2012
	£000	**£000**
Finance lease debtors (net present value of minimum lease payments):		
Current	2	2
Non-current	120	122
Unearned finance income	267	279
Gross investment in the lease	**389**	**403**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2013	**31 March 2012**	**31 March 2013**	**31 March 2012**
	£000s	**£000s**	**£000s**	**£000s**
Not later than one year	14	14	14	14
Later than one year and not later than five years	54	54	54	54
Later than five years	321	335	326	335
	389	**403**	**394**	**403**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/13 £221k contingent rents were receivable by the Authority (2011/12 £221k). There are no accumulated allowances for uncollectible minimum lease payments (bad debts provision).

Operating Leases

The Authority leases out property under operating leases for commercial and community benefit purposes.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2013	**31 March 2012**
	£000	**£000**
Not later than one year	2,826	2,929
Later than one year and not later than five years	9,434	10,084
Later than five years	146,875	149,051
	159,135	**162,064**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

33. PFI and Similar Contracts

PFI

In September 2003 a new school, library, training centre and community facility opened at Castle Hill. It was procured through a Public Finance Initiative (PFI). Under the 2009 SORP the asset is now included on the balance sheet although it is not in the Council's ownership. The Council is committed to an annual unitary payment of £1.5m increasing annually by RPI until 2028/29.

Payments

The Authority makes an agreed payment each year which is increased each year by RPI and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2013 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services £000s	Reimbursement of Capital Expenditure £000s	Interest £000s	Total £000s
Payable in 2013/14	829	334	503	1,666
Payable within 2 to 5 years	3,315	1,560	1,788	6,663
Payable within 6 to 10 years	4,146	2,571	1,614	8,331
Payable within 11 to 15 years	4,146	3,489	696	8,331
Payable in 16 to 20 years	414	411	7	832
Total	**12,850**	**8,365**	**4,608**	**25,823**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	2012/13 £000s	2011/12 £000s
Balance outstanding at start of year	8,679	8,975
Payments during the year	(314)	(296)
Balance outstanding at 31 March 2013	**8,365**	**8,679**

Other Contracts

The Council has entered into an agreement with Bolton Community Leisure to lease (at a peppercorn) and manage indoor leisure facilities for a period of 15 years and 3 months from January 2004. The Council will pay grant to the Trust during that period.

34. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by Capita. It provides teachers with defined benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salary.

	2012/13	2011/12
Percentage contributed (%)	14.1	14.1
Amount contributed (£000s)	12,060	12,296

With regard to the Teachers' Pension Scheme, there were employers' contributions of £998,678.01 remaining payable at the year end.

The scheme is a defined benefit scheme. Although the scheme is unfunded, Capita uses a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees.

For the purpose of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers' scheme. These benefits are fully accrued in the pensions liability described in note 35.

35. Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment the Authority makes contributions towards the costs 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 the employees earn their future entitlement.

The Authority participates in two post-employment schemes:

The Local Government Pension Scheme administered locally by Tameside Metropolitan Borough Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Teachers Pensions Scheme – see note 34

Transactions relating to retirement benefits

The Council recognises 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 the Council is required to make against the council tax is based on cash payable in the year, so the reported cost of post-employment retirement benefits is reversed out of the General Fund via the MIRS. The following transactions have been made in the CIES and the General Fund Balance via the MIRS during the year:

	2012/13 £000s	2011/12 £000s
Comprehensive Income and Expenditure Statement		
Cost of Services		
current service cost	20,100	19,100
past service costs	5,900	1,600
curtailments and settlements	400	1,100
Financing and Investment Income and Expenditure		
interest cost	46,800	47,000
expected return on scheme assets	(39,300)	(45,500)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	33,900	23,300
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
actuarial gains and losses	55,500	104,800
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	89,400	128,100
Movement in Reserves Statement		
reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(6,900)	2,200
Actual amount charged against the General Fund Balance for pensions in the year:		
employers' contributions payable to the scheme		
current service cost	19,400	22,300
past service costs	2,600	3,200

The cumulative amount of actuarial gains and losses recognised in the CIES to 31 March 2013 is a loss of £55.5m.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities:

	2012/13 £000s	2011/12 £000s
Opening balance at 1 April	969,100	857,500
Current service costs	20,100	19,100
Interest costs	46,800	47,000
Contributions by scheme participants	7,200	7,500
Actuarial gains and losses	117,700	69,300
Benefits paid	(33,400)	(34,000)
Past service costs	5,900	1,600
Curtailments	400	1,100
Closing balance at 31 March	**1,133,800**	**969,100**

Reconciliation of fair value of the scheme assets:

	2012/13 £000s	2011/12 £000s
Opening balance at 1 April	699,100	690,100
Expected rate of return	39,300	45,500
Actuarial gains and losses	62,200	(35,500)
Employer contributions	27,000	25,500
Contributions by scheme participants	7,200	7,500
Benefits paid	(33,400)	(34,000)
Closing balance at 31 March	**801,400**	**699,100**

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 actual return on plan assets in the year was £102m in 2012/13 (£10m in 2011/12).

Scheme History

	2012/13	2011/12	2010/11	2009/10	2008/09*
Present value of liabilities: Local Government Pension Scheme	(1,133,800)	(969,100)	(857,500)	(1,107,100)	(663,200)
Fair value of assets in the Local Government Pension Scheme	801,400	699,100	690,100	670,400	488,600
Surplus/(deficit) in the scheme: Local Government Pension Scheme	**(332,400)**	**(270,000)**	**(167,400)**	**(436,700)**	**(174,600)**

* The Council has elected not to restate fair value for scheme assets for prior years.
The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment retirement benefits. The total liability of £332.4m has a substantial impact on the net worth of the Authority as recorded in the balance sheet. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £19.9m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Greater Manchester Pension Scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	2012/13	**2011/12**
Long-term expected rate of return on assets in the scheme:		
Equity investments	4.5%	6.3%
Bonds	4.5%	3.9%
Property	4.5%	4.4%
Cash	4.5%	3.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	20.1	20.1
Women	22.9	22.9
Longevity at 65 for future pensioners:		
Men	22.5	22.5
Women	25.0	25.0
Rate of inflation	2.8%	2.5%
Rate of increase in salaries *	4.6%	4.3%
Rate of increase in pensions	2.8%	2.5%
Rate for discounting scheme liabilities	4.5%	4.8%
Take-up of option to convert annual pension into retirement lump sum		
Pre April 2008 Service	50%	50%
Post April 2008 Service	75%	75%

***** The rate of increase in salaries is assumed to be 1% until March 2015, reverting to 4.6% thereafter.

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

	31 March 2013 %	31 March 2012 %
Equity investments	72	70
Bonds	17	18
Other assets	11	12
	100	**100**

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2012/13 %	2011/12 %	2010/11 %	2009/10 %	2008/09 %
Differences between the expected and actual return on assets (investments)	7.76	(5.08)	(4.09)	21.70	(28.82)
Experience gains and losses on liabilities (pensions)	(0.46)	1.29	(12.55)	0.29	0.66

36. Contingent Liabilities

- **Independent Insurance**

  A provisional liquidator was appointed to Independent Insurance Company Ltd on the 18 June 2001. The company provided the Council with stop loss public and employer's liability cover for the year 1997. It is not known at this stage if the company will be able to meet all the claims costs in excess of the Council's stop loss. At present, Bolton Council is self-funding claims over and above the stop that has already been reached. Bolton Council's details have been given to the liquidator, but it remains uncertain as to how much recovery will be available.

- **Municipal Mutual Insurance Ltd**

  In January 1994, the Council's then insurer, Municipal Mutual Insurance (MMI), made a Scheme of Arrangement with its creditors. Under this scheme claims were initially paid out in full, but if the eventual winding up of the company resulted in insufficient assets to meet all liabilities, a claw back clause would be triggered, which could relate to claims already paid out, as well as those outstanding. Bolton Council has its own share of this potential liability, but also is liable for a 10.33% share of the claw back (based on population figures) which relates to the former Greater Manchester Council.

  The claw back was triggered in November 2012. Ernst & Young, the administrators of the Scheme have advised that a levy of up to 28% could be made, with an initial levy of 15% being called for. This relates to known claims. However due to the latent nature of many claims still being received by MMI, and the fact that many of the trends in reporting continue to be adverse, the projections are subject to substantial uncertainty, and could prove to be very understated. Ernst & Young will review the levy rate at least once every 12 months.

Therefore a provision has been made for 28% of the potential levy as notified so far, (£1,465k for Bolton, and £303k for the GMC share) and the remainder of the total potential liability has been included in the Insurance reserve (£4,546k in total).

- **Repayment of Government Grants**

The Council has for many years received government grants towards the cost of acquiring and enhancing assets. When such assets are disposed of within a specified period of time, the Council has been required to repay an element of the grant. The Council still retains liabilities under European Regional Development Fund Programme and the Heritage Lottery Fund for several of its Programmes.

- **Modesole Ltd**

As a result of the Council receiving a distribution of proceeds from the sale of its entire shareholding in Modesole Ltd, a liability may arise, the extent of which cannot yet be determined. An indemnity was given to the buyer against any future liabilities arising in Modesole prior to the date of the sale. This indemnity is limited to the value of the sale proceeds received and will last for a period of 10 years from the date of sale**,** which was completed on 9 August 2005.

- **Unequal pay compensation**

Under the Equal Pay Act 1970 as modified by the Equal Pay Act (Amendment) Regulations 2003 employees may lodge claims for compensation from their employer for failing to give equal pay for work of equal value. A provision has been made in the balance sheet to cover the potential future costs of known claims – see Note 17. Other claims may be made but the Council believes it has no further liability.

- **Metrolink**

The Association of Greater Manchester Authorities (AGMA), the Greater Manchester Passenger Transport Authority and Executive (PTA/E) and the Department for Transport (DFT) for Metrolink phase 3a have entered into a partnership funding approach.

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

- **Property Searches**

Bolton Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £91k plus interest and costs. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is £247k plus interest and costs. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present. A reserve has been created to cover these costs.

37. Contingent Assets

Additional income of up to £1.620m will be generated from Adult Social Care clients when assets are sold under the provisions of Section 55 of the Health and Social Care Act 2001.

38. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

	2012/13 £000s	**2011/12 £000s**
Fees payable with regard to external audit services carried out by the appointed auditor for the year - KPMG	160	267
Fees payable for the certification of grant claims and returns for the year - KPMG	22	42
Refunds from the Audit Commission in respect fees	(14)	(21)
Fees payable in respect of other services provided during the year - KPMG	33	81
Total	**201**	**369**

The fees for other services in 2012/13 include £31,185 in relation to electors' challenge issues relating to accounts pre 2012/13 (£43,264 in 2011/12).

39. Trust Funds

The Council is responsible for the administration of individual trust funds. The funds are invested in marketable securities and are not included in the Comprehensive Income and Expenditure Statement or Balance Sheet. The trust funds are shown below:

	Balance at 1 April 2012	Income	Expenditure	Balance at 31 March 2013	Represented by: Cash / Other Balances	External Investments	Total
	£	£	£	£	£	£	£
Environmental Services							
Red Lion Playing Field Trust	2,178	0	20	2,158	1,214	944	2,158
F Greenhalgh Prize	78	0	32	46	46	0	46
Topps Trust Fund	1,654	0	7	1,647	1,647	0	1,647
Adult Services							
Workshops & Homes for the Elderly	68,750	0	0	68,750	68,750	0	68,750
Blair Sick Fund	11,096	169	0	11,265	9,635	1,630	11,265
Children's Services							
Leigh Bramwell	50,895	5,290	2,103	54,082	5,778	48,304	54,082
Westhoughton Education Trust	23,008	946	163	23,791	7,633	16,158	23,791
Christopher Westhead	5	0	5	0	0	0	0
Sister Alice Ann Ingham Memorial Fund	405	0	405	0	0	0	0
John Goodenday	1,179	0	1,179	0	0	0	0
Eagley Bridge	9,003	0	0	9,003	9,003	0	9,003
Total	**168,251**	**6,405**	**3,914**	**170,742**	**103,706**	**67,036**	**170,742**

Collection Fund

These accounts represent the transactions of the Collection Fund, which is a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax, non-domestic rates and residual Community Charge on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. The costs of administering collection are accounted for in the General Fund. In accordance with the Code, only an income and expenditure account is shown, the balance sheet being consolidated into the Authority's Consolidated Balance Sheet. The accounts have been prepared on an accruals basis.

Income and Expenditure Account

	Notes	2012/13	2011/12
		£000s	£000s
Income			
Council Tax		98,098	95,393
Transfers from General Fund: Council Tax Benefit		23,996	24,104
Business Rates	2	84,877	80,950
		206,971	200,447
Expenditure			
Precepts and Demands	3	119,660	118,966
Business Rates:			
Payment to National Pool	2	84,467	80,473
Cost of Collection Allowance	2	406	400
Interest on Refunds	2	4	76
Council Tax Bad and Doubtful Debts / Appeals:			
Provisions		2,844	(410)
Write Offs		656	573
		208,037	200,078
Surplus/(Deficit) for the Year		(1,066)	369
Surplus at Beginning of Year		1,531	1,162
Surplus at End of Year		**465**	**1,531**

Notes to the Collection Fund Accounts

1. Council Tax

The total amount to be raised by the tax is determined by the budget requirements of Bolton MBC, the Police and the Fire Authorities and the income received via the Revenue Support Grant and the NNDR pool.

The Council Tax to be levied on a Band D property is calculated by dividing the total amount to be raised from the Council Tax (including the Police and Fire requirements) by the taxbase. This is done by multiplying the number of properties in the band by the specified fraction of the band D charge payable by each band and is shown for 2012/13 in the following table:

	Range of Values	Total Number of Dwellings After Adjustments*	Specified Fraction	Band D Equivalent	% of Total Band D
Band A (disabled)	Up to £40,000	121	5/9	67	0.1%
Band A	Up to £40,000	52,694	6/9	35,130	51.8%
Band B	£40,000 to £52,000	18,269	7/9	14,210	17.1%
Band C	£52,001 to £68,000	16,318	8/9	14,505	14.9%
Band D	£68,001 to £88,000	9,350	1	9,350	8.3%
Band E	£88,001 to £120,000	4,870	11/9	5,954	4.3%
Band F	£120,001 to £160,000	2,027	13/9	2,928	1.8%
Band G	£160,001 to £320,000	1,645	15/9	2,742	1.5%
Band H	More than £320,000	194	18/9	388	0.2%
Total		105,488		85,274	100.0%

Estimated collection rate 98%

Council Tax base for tax setting 2012/13 83,568

* for new / demolished property, exemptions, disablement relief, appeals and discounts

2. Income from Business Ratepayers (National Non-Domestic Rates, NNDR).

Non-Domestic Rates are organised on a national basis. The Government specifies an amount (45.8p in 2012/13, compared to 43.3p in 2011/12) and local businesses pay rates calculated by multiplying their rateable values by that amount. The Council is responsible for collecting rates due from the ratepayers in its area. The net rates payable, less deductions, are paid to a central pool (the NNDR Pool) administered by Central Government. Under these arrangements, the amounts included in these accounts can be analysed as follows:

	£000s	£000s
Gross Rates		101,642
Less: Transitional and Other Relief Arrangements		(15,295)
		86,347
Less: Bad Debts / Provision for Bad Debts		(1,470)
		84,877
Cost of Collection Allowance	(406)	
Interest on Refunds	(4)	(410)
Net Contribution to N.N.D.R. Pool		**84,467**

The NNDR rateable value for the Council's area at the 31 March 2013 was £234,594,501 compared to £236,346,608 at the 31 March 2012.

The Government pays back to authorities their share of the NNDR pool based on a standard amount per head of the local population. For Bolton, this amounted to £117,478,234 in 2012/13 (approximately £441.26 per head of a population of 266,231). This was paid into the General Fund.

3. Precepts and Demands on the Fund

The following authorities made a precept or demand on the fund in 2012/13, with the figures for 2011/12 for comparison:

	2012/13 £000s	**2011/12 £000s**
Bolton M.B.C. Demand	103,037	102,396
Greater Manchester Police Authority Precept	12,180	12,141
Greater Manchester Fire and Civil Defence Authority Precept	4,443	4,429
Total Demands and Precepts	**119,660**	**118,966**

Statement of Responsibilities for the 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 this Authority, that officer is the Deputy Chief Executive.

- to manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.

- to approve the Statement of Accounts.

The Deputy Chief Executive's Responsibilities

The Deputy Chief Executive is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code).

In preparing this Statement of Accounts, the Deputy Chief Executive has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the local authority Code.

The Deputy Chief Executive has also:

- kept proper accounting records which were up to date;

- taken reasonable steps for the prevention and detection of fraud and other irregularities;

The Statement of Accounts gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2013.

Stephen M Arnfield
Deputy Chief Executive
30 June 2013

Annual Governance Statement

1. Scope of responsibility:

Bolton Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Bolton Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

To meet our overall responsibility, Bolton Council is responsible for putting in place proper arrangements for what we do (this is what we mean by governance) these arrangements are intended to ensure that we do things right, in an open and honest way. Bolton Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the authority's code is on our website at http://www.bolton.gov.uk/website/pages/Councilconstitution.aspx or can be obtained from The Borough Solicitor. The statement explains how Bolton Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011 regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2. The purpose of the governance framework:

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Bolton Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at Bolton Council for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

3. The governance framework:

The governance framework has been in place at Bolton Council for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

- A strategic planning system which identifies priorities and key aims. These are set out in the Borough's Community Strategy: "Bolton: Our Vision 2012-2015" produced by Bolton's partnership Bolton Vision. In addition to specific aims the plan embraces the underlying concepts of continuous improvement and delivery of priority developments to address big issues.
- The delivery of Key Aims is addressed through the Corporate Business Planning Process (CBPP), During 2011/12 this process was streamlined to reflect the significant

reduction in resources available to the council whilst maintaining the emphasis on the council's priorities

- Strategic budget process, which includes the delivery of the council's savings and efficiency programme. This is shaped by the priorities set out in the Community Strategy.
- Assistant Director divisional level service plans set out how each division will deliver the appropriate community strategy outcomes, savings targets, and other divisional priorities.
- A framework of policy plans (some statutory, some local) which are reviewed annually and assist policy formulation.
- Legal, policy and procedural requirements are incorporated in the Council's Constitution and supporting documentation. Compliance is enforced by a range of measures including: Executive reporting, Member scrutiny, external inspection and audit, performance management and benchmarking, management oversight, internal audit and physical and procedural controls.
- The Council has a robust process for member development which identifies individual needs and action plans for development.
- The Council has a well-developed performance management process which identifies clear targets against agreed priorities, monitors and reports performance and, where necessary implements improvement actions.
- The Council has a well-established process of Risk Management including an annual review of strategic risks, an assessment of the likelihood and potential impact of risks and a register which records the responsibly for managing risk and the action taken.
- The Council's financial management arrangements comply fully with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010).
- Value for Money is promoted across the organisation through the Council's Corporate Planning Business Process. The council has in place a timetable for formal efficiency reviews or studies in order to respond to significant reduction in resources in the future.
- Protocols are in place to manage the many partnership arrangements that the Council has.
- The financial management of the authority is structured through Financial Regulations and financial Standing Orders, which are subject to regular review and approval a framework of regular management information, administrative procedures (including division of duties), management supervision and a system of delegation and accountability support these. Such procedures seek to ensure that transactions are authorised and that material errors or irregularities are either prevented or would be detected within a timely period.
- The Council has an Audit Committee which has responsibility for providing assurance on the authority's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance
- The Council has in place an Investigations Panel which reviews and coordinates all investigations undertaken to ensure good practice is shared, any sanctions are consistent, and the organisation learns from the experience.

- Standards Committee has set up a process for local assessment of allegations of failure to comply with the Code of Conduct for Members, this process has been used.
- The appointment of Senior Information Risk Owner (SIRO) and production of wide ranging guidance on information security on a discrete intranet page.
- From May 2012 the council changed its decision making process, the council's Executive of eight councillors has been replaced by a Cabinet of 14 Councillors. The Cabinet is made up of three 'Executive Cabinet Members' – The Leader, Deputy Leader and Executive Cabinet Member Environment, Regulatory Services and Skills, and 11 Cabinet Members.
- In response to the Localism Act 2011 the council has:
    - Reinforced the existence of a Standards Committee and the local arrangements to handle complaints against Members.
    - Agreed and published its pay policy for 2012/13

4. Review of effectiveness:

Bolton Council has responsibility for conducting, at least annually a review of the effectiveness of its governance framework including the system of internal audit. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit and Risk's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The review of governance arrangements is defined in the Council's Assurance Framework which illustrates the individual elements of assurance. Elements of the review are shown below:

- On-going assessment against the CIPFA/SOLACE framework; *Delivering Good Governance in Local Government Framework.*
- Annual review of Internal audit
- Annual and interim reports of Head of Internal Audit & Risk.
- External Audit Reviews
- Annual statements of individual directors.
- Risk management and performance management systems.
- Audit Committee work plan and annual report to Council.
- Feedback from external inspectors and agencies.
- Customer feedback.
- Internal audit review of the Annual Governance Statement process
- Review against CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010).

- Review against CIPFA statement on the Role of the Head of Internal Audit.
- Audit Committee self- assessment against CIPFA standard.

The review process is managed by the AGS Management Group which comprises; the Chief Executive, Section 151 Officer, and the Monitoring Officer. Progress is reported to; the Executive, The Standards Committee, and Audit Committee as necessary. The Annual Governance Statement is reported to Audit Committee for approval

5. Significant governance issues:

The review process has not identified any significant governance issues for the relevant period and this is consistent with the external inspections received by the council The Council has continued to maintain good practice during 2012/13

The 2012/13 process has not identified any significant issues that the council feels necessary to highlight in this statement.

The council continues to face significant pressures during 2013/14 and beyond, around budget and service changes as well as changes to legislation. The council's VFM and efficiency process and CBPP will take account of the impact that any changes might have on governance and internal control.

Signed:

Leader of the Council

Signed:

Chief Executive

Independent auditor's report to the members of Bolton Council

We have audited the financial statements of Bolton Council for the year ended 31 March 2013 on pages 9 to 93. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Deputy Chief Executive and auditor

As explained more fully in the Statement of the Deputy Chief Executive's Responsibilities, the Deputy Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Deputy Chief Executive; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2013 and of the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

Other matters on which we are required to conclude

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in November 2012, we have considered the results of the following:

- our review of the annual governance statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities; and
- locally determined risk-based work.

As a result, we have concluded that there are no matters to report.

Certificate

We certify that we have completed the audit of the financial statements of Bolton Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

Tim Cutler

for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants
St James Square
Manchester
M2 6DS

24/9/13

GLOSSARY OF TERMS

ACCRUALS
Income and expenditure amounts are recognised as they are earned or incurred, rather than as received or paid.

AGENCY SERVICES
Services performed by or for another authority or public body where the principal (the authority responsible for the service) reimburses the agent (the authority doing the work) the cost of the work carried out.

APPOINTED AUDITORS
External auditors of local authorities appointed by the Audit Commission. They may be the Commission's own staff or from major accountancy firms.

APPROPRIATION
The transfer of land and buildings from one service to another.

ASSETS HELD FOR SALE
An asset whose value is likely to be recovered through sale rather than use. ,that is highly likely to be sold, is available for immediate sale and is being actively marketed.

BALANCE SHEET
A statement of the Council's assets and liabilities at a given date.

CAPITAL EXPENDITURE OR OUTLAY
Expenditure on the acquisition of an item of property, plant and equipment or expenditure which enhances the value of an existing item of property, plant and equipment. It includes loans or grants to 3rd parties that are used for such purposes.

CAPITAL FINANCING CHARGES
The annual charge to the Income and Expenditure Account in respect of interest and principal repayments of borrowed money. They include charges from Finance Leases (see below).

CAPITAL RECEIPTS
Proceeds from the sale of land or other capital assets or the repayment of capital grants or loans. The receipts are available to finance other items of capital spending or to repay debt after any payment to due government has been made.

CI&E
Comprehensive Income & Expenditure.

CIES
Comprehensive Income & Expenditure Statement.

CODE
2012/13 Code of Practice on Local Authority Accounting.

COLLECTION FUND
A statutory account maintained by the Authority responsible for collecting Council Tax. Income received from taxpayers is held in this account and distributed to precepting authorities.

COMMUNITY ASSETS
Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

CONDITIONS
Grant conditions that stipulate the future economic benefit or service potential embodied in the asset acquired using the grant or contribution are required to be consumed as specified, or the future economic benefits or service potential must be returned.

CORPORATE AND DEMOCRATIC CORE
These are the activities which Councils engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same service. These costs are therefore not allocated to services.

CREDITORS
Amounts owed by the Council for work done, goods received or services rendered for which payment has not been made.

DEBTORS
Sums of money due to the Council

DEFERRED CHARGES
Capital expenditure where no Council asset is created, e.g. improvement grants. These charges are usually written-off in the year in which they are incurred.

DEPRECIATION
This is the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

FAIR VALUE
Fair value is the price at which an asset could be exchanged in an arm's length transaction.

FINANCE LEASE
A lease that transfers substantially all the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards is presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

FINANCIAL INSTRUMENTS
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term "financial instrument" covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities, such as trade receivables and trade payables, and the most complex ones such as derivatives and embedded derivatives.

GENERAL FUND
The main revenue account for the Council in to which the Council's precept from the Collection Fund and specific government grants are paid, and from which the cost of providing services is met.

GOVERNMENT GRANTS
Assistance by government, government agencies and similar bodies, in return for past or future compliance with certain conditions relating to the activities of the Authority.

HERITAGE ASSETS
Assets which are intended to be preserved in trust for future generations, because of their cultural, environmental or historical associations.

HISTORIC COST
The actual cost of assets, goods or services at the time of their acquisition.

IFRS
International Financial Reporting Standards.

IMPAIRMENT
A reduction in the value of a fixed asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

INFRASTRUCTURE ASSETS
Items of property, plant and equipment that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTANGIBLE ASSETS
Assets used in a business which do not have a physical presence (e.g. software licences). When purchased these assets should be capitalised at cost and depreciated over their anticipated life. Internally developed intangible assets should only be capitalised where there is a readily ascertainable market value.

INVENTORIES
Inventories comprise the following categories:
- goods or other assets purchased for resale;
- consumable stores;
- raw materials and components purchased for incorporation into products for sale;
- products and services in intermediate stages of completion;
- long-term contract balances; and
- finished goods.

INVESTMENTS
A long-term investment is an investment that is intended to be held for more than one year from the balance sheet date. Investments which do not meet the above criteria are classified as current assets.

INVESTMENT PROPERTY
Property that is held solely to earn rental income or to increase in value, or both, rather than for use in the operations of the Council or for sale.

MIRS
Movement in Reserves Statement.

NATIONAL NON-DOMESTIC RATES (NNDR)
Non-Domestic Rates are organised on a national basis. The Government specifies an amount and, subject to the effects of transitional and other relief arrangements, local businesses pay rates calculated by multiplying their rateable values by that amount. The Council is responsible for collecting rates due from the ratepayers in its area. The net rates payable, less deductions, are paid to a central pool administered by Central Government.

NON DISTRIBUTED COSTS
These are overheads from which no user now benefits and they are not allocated to services.

OPERATING LEASES
A lease other than a finance lease. The risks and rewards of ownership of the fixed asset remain with the lessor. Such a lease will be for a fixed period which is less than the useful life of the asset. The cost of such leases falls upon service revenue accounts.

OUTTURN
Actual Income and Expenditure in a financial year.

PRECEPT
A levy by one authority which is collected on its behalf by another e.g. Police, Fire, Parish Councils.

PROPERTY, PLANT AND EQUIPMENT
Assets that have physical substance and yield benefits to the local authority and the services it provides for a period of more than one year.

PROVISIONS
Amounts set aside for losses and liabilities incurred in the past but which will be settled at a future date.

RESERVES
Amounts set aside to meet expenditure which may be incurred in future periods. Earmarked reserves are allocated to a specific area of spending. Unallocated reserves arise as unplanned surpluses of income over expenditure.
Reserves are classified as either usable or unusable. Usable reserves are those that the Council can use to fund the provision of services or fund capital expenditure. Conversely, unusable reserves are those which the Council cannot use to provide services or fund capital expenditure.

REVENUE EXPENDITURE
Expenditure on day to day expenses such as employee costs, running expenses of buildings, purchase of equipment and capital financing charges.

REVENUE SUPPORT GRANT (RSG)
A general grant paid by the Government not related to individual service provision, with the objective of allowing the provision of similar standards of service throughout the country for a similar Council Tax levy.

SeRCOP
CIPFA Service Reporting Code of Practice 2012/13.

SURPLUS ASSETS
Those assets that are surplus to service needs but that do not meet the criteria to be classified as either investment property or assets held for sale.

TRUST FUNDS
Funds administered by the Council on behalf of minors and others for such purposes as prizes, charities and specific projects.