Bolton Council

Statement of Accounts

2019/20

Contents

Narrative Report by the Director of Corporate Resources

Introduction

The Council seeks to make best possible use of resources available with regard to economy, efficiency and effectiveness. This responsibility is shared by Members and officers of the Council, along with the Director of Corporate Resources' specific role in ensuring the adequacy of resources and proper financial administration.

Since 2011 the Council has had to make cuts of around £155m, due to a combination of increased demands upon its services, cost pressures and funding cuts. The Council's two-year budget strategy covering 2019/20 and 2020/21 has identified further cuts of £23.5m. By the end of 2019/20 £12.2m had been delivered. Whilst the 100% business rates pilot has given us the opportunity to maximise the benefits of growth in our business rates within the borough, we still suffer from the impact of the already announced cuts in central government funding. In 2011/12 we received £147m of general government funding, in 2019/20 this was £22m.

Clearly this has impacted on the way the Council delivers its services, and on the number of staff that we employ. Since 2011 we have seen a reduction in staffing numbers of around 1,600 posts. Each February the Council votes on the budget and sets the council tax for the forthcoming year. For the three-year period 2017/18 to 2019/20 the government has permitted councils to raise its council tax by 6% solely for adult social care, with no more than 3% in any one year. The 2019/20 budget set the Adult Social Care precept at its maximum 1% which went some way towards alleviating the pressures in that service. An additional 1.25% was levied for other council services.

A balanced revenue budget is achieved by ensuring any pressures in year are met from reserves. Our capital spend was £63m, and later in this narrative, examples of some of our major schemes are given. Our reserves have reduced from £164m to £139m as a result of funding capital schemes and balancing the 2019/20 revenue budget. Within this figure are reserves that we hold for capital schemes, to protect against key areas of risk and to fund existing commitments. We also hold £10m of general balances as our overall contingency. Ultimately, we have around £12m which is available departmentally to be re-allocated during future financial years to support our priorities and financial strategy and continue to deal with significant demand pressures.

It is the purpose of this Narrative Report to provide information on the authority, its main objectives and strategies and the principal risks that it faces, as well as giving a commentary on how the authority has used its resources to achieve its desired outcomes in 2019/20.

The impact of the Covid-19 pandemic has had a significant effect on the way the council functions; be it strategically, managerially or operationally. Since mid-March business continuity plans were brought into operation to help deal with the crisis. Further details on the council's reaction to Covid-19 can be found in section one below.

The report is split into the following sections;

- Section One – the impact of Covid-19

- Section Two – Leadership and Governance
- Section Three – A summary of the Council's financial performance in 2019/20 including how money is spent and where it comes from
- Section Four - The key developments during the 2019/20 financial year within directorates prior to the Covid-19 pandemic
- Section Five – Future plans

This is all set against a background of continuing savings requirements, in order to produce a balanced budget each year.

Section One – The Covid-19 Pandemic

During February Business Continuity Plans were reviewed as part of the normal annual cycle. As the threat that Covid-19 could pose became more apparent, Directorates started to plan with their Heads of Service what the impact of the pandemic could be on the Council and its community.

The national pandemic of Covid-19 started to affect the Council in March 2020. As lockdown came in to force on the 23rd March 2020, service business continuity plans were rolled out. There was a huge impact on the workforce, enabling those who can, to work from home and using digital platforms to aid the new working life. Virtual meetings were set up to enable quick decision making and allow distribution of the most up to date national guidance.

Each directorate has been impacted differently, but throughout, protecting the most vulnerable and market / business sustainability has been the key message.

Although there has been no real financial impact to the ledger in the last week of March, the main financial focus was understanding the loss of income and additional expenditure. This came in many guises.

- Operational income as a result of the closure of facilities e.g. community centres, libraries and museums, suspension of parking charges and parking enforcement and property rental income.
- Market sustainability with care providers
- Procuring of Personal Protective Equipment (PPE)
- Business rates and council tax

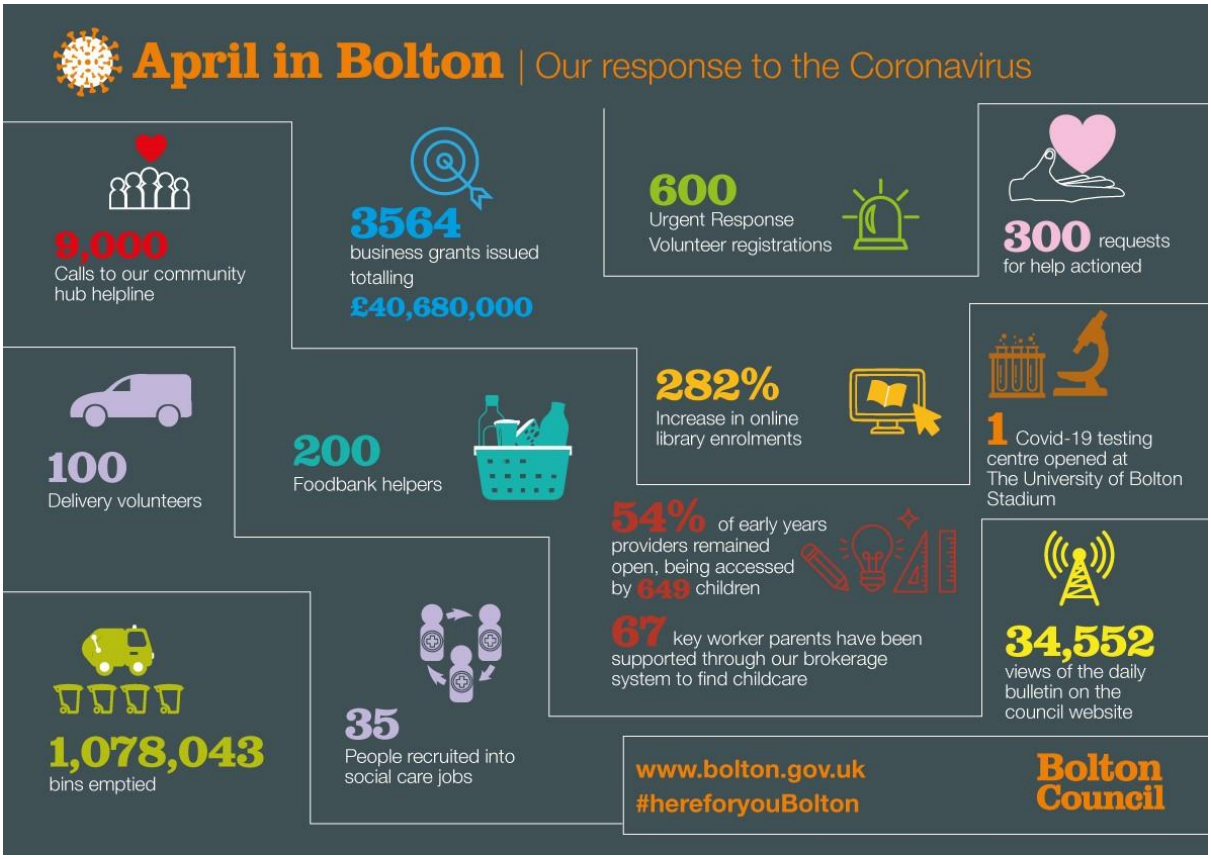
Following the government directive re immediate payments to suppliers, staff worked additional hours to clear the backlog. Staff updates reminded staff that use of the purchase ordering system should be used wherever possible as this ensured invoices were pre-approved and delivered direct to Accounts Payable for processing. Wherever possible we have encouraged a further uptake of payments via BACS, as opposed to cheques, which add in additional steps to the process.

The government has provided a number of funding streams to either support councils or to pass onto other services. An initial allocation of £9.2m was awarded in late March 2020 with the remainder being received in 20/21. These include;

Funding	Description	Bolton's Allocation
Emergency Funding 1 - received 27th March 20	Initial government non-ringfenced funding of £1.6bn to support councils with the Covid-19 pandemic	£9.25m

Funding	Description	Bolton's Allocation
Emergency Funding 2 received 14th May 20	Second government non-ringfenced funding of £1.594bn to support councils with the Covid-19 pandemic	£7.86m
Covid-19 Council Tax Hardship Fund received 3rd April 20	Established to deliver relief to council taxpayers during 2020/21 by reducing council tax liability using discretionary powers under S13A(1)(C) of the Local Government Finance Act 1992	£3.45m
Business Grant scheme - received 1st April 20	Grants to be passed on to eligible businesses to support them during the Covid-19 pandemic	£68m (around £58m is anticipated to be paid out). 5% of the £58m (£2.9m) is used for the discretionary scheme below, with the balance to be returned to government
Discretionary Business Scheme	Government directed that a proportion of the Business Grant Scheme can be used on a discretionary basis to support other eligible business categories	£2.9m - see above
Infection Control Fund	£600m fund to help support infection control in care homes	£2.3m to be received in two instalments in May and June
Track and trace	£300m fund to support the government's track and trace initiative	£1.998m
Re-opening the high street	£50m European Regional Development Fund grant. Authorities need to claim back this money from government as opposed to it being directly awarded	£253k

The picture below highlights some of the key activities the council has undertaken in April in response to the pandemic.



Looking forward into 2020/21, there will continue to be significant reduction in income through fees and charges which will expand into other areas where more periodic charges are made for services that can now no longer be delivered in part or full. Additional costs will also become apparent from the changed demand and means of continuing operational services e.g. waste and recycling, street cleansing, housing services and licensing services.

There is uncertainty as to the true impact that Covid-19 has had on social care, schools and early year settings. At this stage it is too early to suggest how demand will impact the services. For the new services that have been created e.g. Humanitarian Hub and Testing Centres how long these services are needed is still unknown.

Regarding capital, a limited number of specific capital projects, where main contractor works are in progress, will encounter delayed completion and additional costs may arise from extended contract timescales resulting from the Covid-19 working restrictions. There is also some recognition that substitute sub-contractors may be required in some instances incurring greater costs. Other capital projects including parts of the Town Centre Masterplan are now subject to delays in the project planning process. It is not known how much yet but acknowledged this may have an impact on expected costs once implementation phases can commence.

The Council has set up a Recovery Co-ordinating Group comprising a number of Heads of Service across all Directorates. The group is expected to continue its work throughout 20/21. The Programme Recovery Board has established 12 key objectives in order to achieve the stated aim;

- To return the Council to a new 'business as usual' state and in doing so, to ensure that we support our communities, businesses, partners and other

public service agencies in their efforts to recover from the Covid-19 pandemic. As well as addressing the adverse impacts, we will strive to 'build back better' and to once again create the conditions to deliver an active, connected and prosperous Bolton.

It is important to note that the deadlines for the preparation of the Accounts have been changed for 2019/20. Having considered the impact of the Covid-19 pandemic and in consultation with key stakeholders, the Ministry of Housing, Communities and Local Government (MHCLG) introduced the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which have amended the Accounts and Audit Regulations 2015.

The draft Accounts must now be submitted for audit by 31 August 2020 rather than 31 May 2020 and the timeline for the conclusion of the audit is now 30 November 2020 rather than 31 July 2020.

Section Two – Leadership and Governance

Political Leadership

At the May 2019 local elections, no political party won overall control of the Council. The Conservative group entered into an agreement with the Minority Opposition Groups. As a result, Councillor David Greenhalgh (Conservative) was appointed Leader of the Council with Councillor Martin Cox (Conservative), Deputy Leader

The Borough is divided into 20 wards, each of which elects three Councillors. Each Councillor is elected for up to four years. The makeup of the Council as at 31st March 2020 was;

Labour	22
Conservative	19
Liberal Democrats	7
Farnworth and Kearsley First	4
UK Independence Party (UKIP)	2
Horwich and Blackrod First Independents	2
Other (not in a group but not independent)	3
Vacant	1

The Council - the 60 councillors;

- decide the constitution
- agree policy framework
- agree the budget
- appoint the Leader for a term determined by the council

The Leader;

- determines the size of the cabinet and appoints members of the cabinet
- determines the arrangements for delegation of the cabinet functions.
- also appoints a member of the cabinet as a deputy leader who will act in the leader's absence

The Cabinet

- is made up of the Leader of the Council, the Deputy Leader and eight Executive Cabinet Members. Its main role is to:-
    - implement the policies agreed by the council
    - give political leadership

- propose policy framework to the council
- propose the budget to the council
- make recommendations to the council on broad policy issues

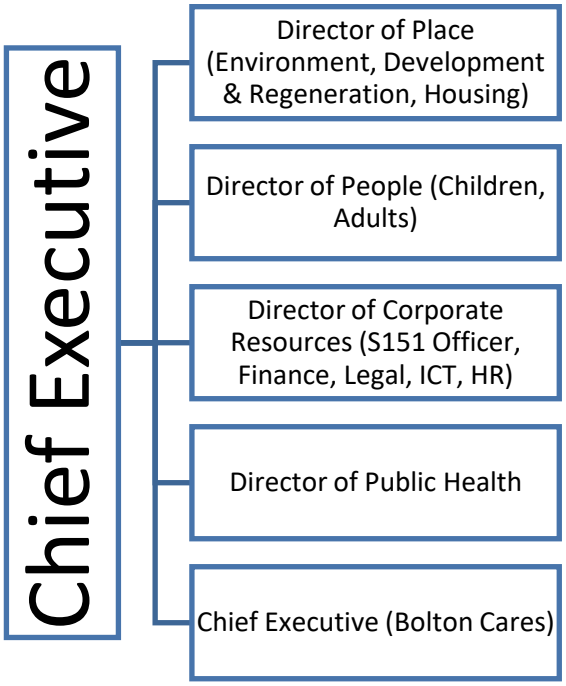
Executive Cabinet Members – the leader and the other executive cabinet members:

- work within an overall policy framework set by the council
- have individual responsibility for key areas of work known as portfolios
- are accountable for their decisions which they take either as individuals or as the collective cabinet

For further details see https://www.bolton.gov.uk/cabinet-committees/cabinet-committee-meetings/1

Management Leadership

The top-level management structure as at March 2020 is shown below;



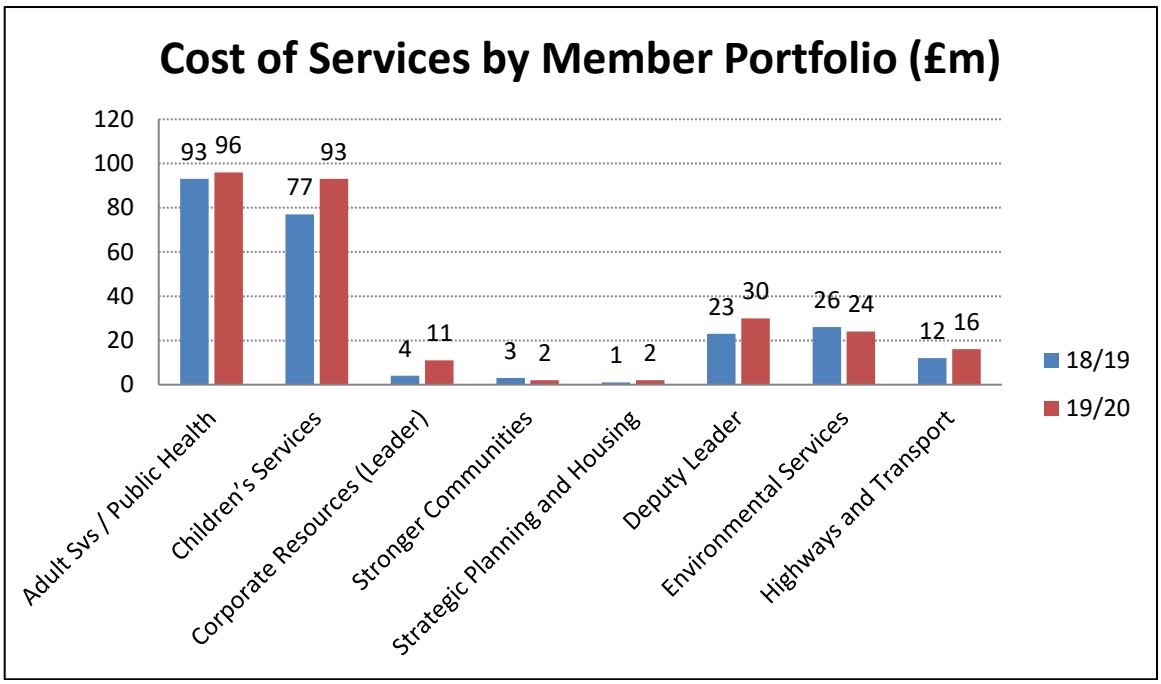
Section Three - Overall Financial Summary

The Council seeks to make best possible use of resources available with regard to economy, efficiency and effectiveness. This responsibility is shared by Members and officers of the Council along with a specific role in ensuring the adequacy of resources and proper financial administration.

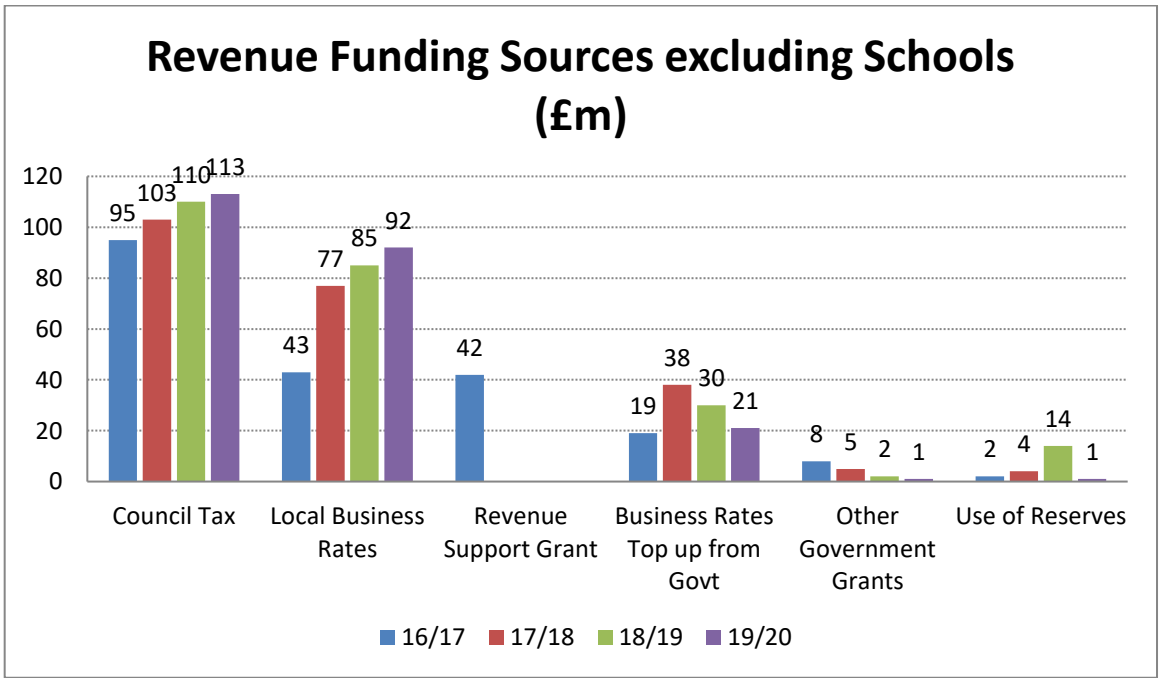
Since 2011 the Council has faced significant reductions in the grants it has received from Central Government, particularly in 2011 when a number of specific grants were lost but the equivalent amount was not transferred into Revenue Support Grant.

- This has resulted in savings having to be made which by the end of 2020/21 will amount to almost £190m. The current two-year budget strategy covering 2019/20 to 2020/21 includes a savings target of £23.5m and a further £8m contribution from reserves.

With regard to revenue budgets, the Council's directorates balance their budgets by making contributions to or from reserves as appropriate. Since 2016/17 a new analysis identifies what the cost of each service is before reserve transfers and how this balances to the overall funds available, based upon how services (portfolios) report to Executive Members. As this can change year-on-year, only 19/20 and 18/19 (restated to match any changes) are shown in the Expenditure Funding analysis below;



The money to fund the budget above comes from either local taxpayers in the form of Council tax or business rates or from various government grants. This is shown below from 2016/17 when the Adult Social Care Precept was first introduced. Local Business Rates increased in 2017/18 as part of the move to 100% retention which was offset by reduction in Revenue Support Grant



As the Revenue Support Grant has reduced, increasingly the council is required to ensure business rates and council tax growth.

Capital

The Council spent £63m on capital activities in 2019-20. Major capital schemes included the following;

Scheme	£m	Description
Disabled Facilities Grants	3.2	Helping people stay independent longer through adaptations and modifications to their homes by reducing care and support needs.
Private Sector Renewal	1.5	Regeneration programme for home repairs helping people stay independent longer, linking decency, vulnerability and the economy.
Manchester Airport Investment	1.8	Contribution towards new car parking facilities at Manchester airport
Octagon Theatre redevelopment	6.4	Theatre redevelopment
Town Centre Strategy	21.0	Largely acquisition and demolition costs
Primary & Special Schools Expansion Programme	1.2	Expansion of primary schools to meet addition pupil places needed.
Building Maintenance Plan	2.7	Ongoing maintenance for schools
Secondary Schools Expansion Programme	4.4	Expansion of secondary schools to meet addition pupil places needed.
DfT Highways LTP	3.4	Funding for essential maintenance to renew, repair and extend the life of roads
Street Lighting LED Programme	0.9	The replacement of existing street lighting using LED lighting to provide benefits including reduction in energy and maintenance costs, increased life expectancy of the product and a cleaner white light. Contributing to the reduction of carbon emissions as set out in the Council's Carbon Management Plan.
Highways investment	2.1	Additional investment in highways repairs
Bolton Salford Quality Bus Network	0.4	Funding for major junction/signal improvements to ease congestion.

Reserves & Balances – see last para re impact of reserves due to Covid-19

Our reserves have reduced to an overall figure of £139m, as a result of funding capital schemes and balancing the 2019/20 revenue budget. Within this figure are reserves that we hold for capital schemes, to protect against key areas of risk and to fund existing commitments. We also hold £10m of general balances as our overall contingency. Ultimately, we have around £12m which is available to be re-allocated during future financial years to support our priorities and financial strategy and continue to deal with significant demand pressures. If this was used to support Adult's and Children's services, it would only cover around 1 months' worth of their annual budget. Reserves are split into 3 types:

- Capital Reserves – Can only be used for capital projects. The Council had £50m (£63m in 18/19) of capital reserves at the end of 2019/20.

- General Fund Balances and Revenue Reserves
    - General Fund Balances - The Council is required to keep a level of general reserves to fund unexpected demands and exceptional cost increases. Council approved that as a minimum Balances should be maintained at £10m, but if possible, should be at a higher level. During 2019/20 General Fund balances remained static at £10.66m.
    - Revenue Reserves – Unlike capital reserves, revenue reserves can be used for either capital or revenue projects. Of the total amount held at the end of the financial year, £46m (£53m in 2018/19) related to reserves held by departments and corporately for the following reasons:
        - Legal/statutory requirements
        - To fund existing commitments
        - To cover key areas of future spend
        - To cover key areas of risk
        - Service contingencies
    - Of this £46m, £12m is held departmentally to be re-allocated during future financial years to support our priorities and financial strategy and continue to deal with significant demand pressures.
    - All other revenue reserves are held on behalf of clients, schools and to provide insurance cover.

The council is currently assessing its use of reserves in 2020/21 as a result of the Covid-19 pandemic. Should it not be possible to achieve the intended savings target, reserves may be needed as a one-off to balance the 2020/21 budget. Any un-achieved savings will be carried forward and added to the 2021/22 savings target.

Group Balance sheet

	31/3/19 £m	**31/3/20 £m**
Property Plant & Equipment	587	599
Other Long Term Assets	195	170
Current Assets	192	152
Current Liabilities	(66)	(70)
Long Term Liabilities	(668)	(589)
Net Assets	**240**	**262**
Represented by;		
Usable Reserves	171	142
Unusable Reserves	69	120
Total Reserves	**240**	**262**

Section Four – Key developments of 2019/20

This section considers some of the key developments in services prior to the Covid-19 pandemic

Directorate of People

Adult Services

The Integrated Care Partnership (ICP) brings together primary care, community health, mental health services and adult social care with strong links to the voluntary

and community sector, housing and Police. It will focus on delivering excellent care, close to home and that responds to what matters to the person. During 2019/20, the ICP has designed a new model of care which is focussed on ultimately establishing co-located multi-agency health and care teams working across nine neighbourhoods with single line management and a single holistic assessment for local people. Multi-agency neighbourhood meetings are already taking place and extensive work has taken place to understand need and demand in our neighbourhoods, aligning our workforce and ensuring the estates and IT enables the new way of working The ICP is now in the final stages of preparation before mobilisation of the model of care. To support this, Bolton Council, NHS Foundation Trust and NHS CCG approved (alongside the below Strategic Commissioning Function proposals) that the ICP moved from a loose partnership to an Alliance of providers with a single leadership structure enabling providers to work more closely together with clear accountabilities and responsibilities whilst giving the ICP the autonomy to work as one provider making the changes to health and care required. This will enable a neighbourhood-based multi-agency model of care to progress.

The Strategic Commissioning Function brings together the commissioning functions of Bolton Council and NHS Bolton Clinical Commissioning Group to ensure joint design, planning and buying of services. This is with the intention of making the best use of Bolton resources, influence the wider determinants of health and enable neighbourhood delivery. During 2019/20, staff from both organisations co-located in the Town Hall; brought together a pooled budget for adults with joint risk share and an ‘open book’ approach to all commissioning budgets/expenditure. Greater collaborative decision making between the Council and CCG was supported through the establishment of a Joint Commissioning Committee which oversees the pooled budget bringing together democratic and clinical leadership. In order to move to the next phase of closer joint working, the Council and CCG approved (alongside the above Integrated Care Partnership proposals) that the SCF becomes a single team working to a single all age commissioning plan for health and care services. The integrated team will be led by a Director of Strategic Commissioning on behalf of the Council and CCG who will report to the Accountable Officer for Health and Care and in partnership with the Council’s statutory Directors.

During 19/20, Adult Services continues to experience cost and demand pressures. Wage inflation created by national policy changes including the National Living Wage rises have contributed to financial pressures.

Pressure is also being experienced in younger adult’s services as the complexity of need increases and supporting people in the Transforming care cohort into community has resulted in additional costs for social care.

Many adults with learning disabilities are living longer than ever before and younger adults are now transitioning from Children’s Services into adulthood with more complex needs requiring higher levels of support. Transition is a key priority and new ways of working to ensure improved commissioning have commenced and co-ordination of care through the development of a dedicated Transition team. In addition, continued focus on new housing schemes have been developed for adults with learning disabilities, improving independence and quality of life, that are cost effective.

Children’s Services

During 19/20, Children Services has continued to see demand of placements increasing. There was a particular spike in the first half of the year but in the latter half there was no cost growth in Looked After Children placements. However,

across the year financial pressures continue to increase with the higher numbers of Looked After Children overall and those placed in more expensive independent provider placements because of their complex needs. The vast majority of our looked after children are looked after in house, in our foster care and residential provision but we are seeing an increase in the use of non-LA foster carers and external residential provision due to a national gap in placement sufficiency.
The new Assistant Director for Safeguarding and Early Help commenced in post as of the 2nd March and after an initial review of the service has set down three key priorities for 2020/21 as:-

1. To develop an effective Demand Management Strategy to reduce the overall numbers of LAC in Bolton.

2. To review the Fostering Marketing Strategy to boost the numbers of foster carers approved by Bolton Council and reduce the reliance on the private IFA market. This will include a wholesale formal review of the current foster carer allowance scheme to ensure it is both cost effective and provides maximum incentives to people considering becoming a foster carer.

3. To develop the Permanence and Placement Panel to provide more effective challenge to out of authority placement costs and to ensure the exit plan for each child in such placements is appropriate and timely. This will also include a renewed attempt to more effectively engage the CCG in placement decision making and financial contributions towards some of these placements.

Given the impact of Covid-19 the implementation of these 3 priorities is likely to experience some delay but it is hoped that they will be in process by September 2020.

Work is being undertaken involving Commissioning and Greater Manchester Commissioning Group to ensure value for money and appropriate placements are sourced but the local and national context is very challenging. A revised sufficiency statement has been produced and a much more proactive approach to provider engagement is taking place which should result in a more targeted approach to the sourcing of placements and the recruitment of foster carers with the skills to meet the emerging and increasing complexity of children in Bolton.
The review of Early Help and In-house residential provision alongside a commitment to working differently with children, families and partners to divert children from the care system should see an improved picture by 2020. There has been a commitment to deliver training on Restorative Practice which has been rolled out to Council and Partners.
There continues to be an increasing demand for school places in Bolton. Work is continuing with DfE, Regional Schools Commissioner and Bolton school partnerships to create additional places where needed. This has seen expansions of many schools and the creation of the University Collegiate School which is due to open in September 2020.

Within Bolton, there have been continued pressures in meeting the needs of SEND, particularly in terms of demand for Education Care and Health Plans (EHCP). This has created significant pressures on the High Needs block of the Dedicated Schools Grant. Schools following consultation have agreed once again to transfer from the school's block to high needs in recognition of this. Bolton have been proactively tackling the demand pressures and during the year have continued conversations with schools concerning inclusivity. Further work is ongoing to address this continued challenge.

Directorate of Public Health

During 19/20, Public Health has been identified as its own directorate and has three specifically defined corporate priorities:

1. Develop an intelligence and evidence-based organisation to inform decision-making
2. Develop a Health and Wellbeing Strategy and prevention framework to underpin health and social care integration
3. Enable the Council's journey to become a wellbeing organisation.

Further to this, the Public Health Directorate has opportunities to contribute and add value to the corporate priorities across the three other directorates of People, Place and Chief Executives. The Public Health Directorate is taking a wider remit for Intelligence for Bolton, and now has leadership across for the Council for intelligence, evidence and involvement in addition to leading across the wider partnership on Joint Strategic Needs Assessment. Each Consultant in Public Health has a link with each directorate leadership team (DLT) and is the main point of contact to develop relationships, support overlapping agendas when required, and provide challenge and opportunity where necessary.

Over the past 12 months, the directorate has identified priorities to balance the responsibilities of the directorate and reflect the emerging six priorities that will help to move forward and continue to develop services that respond to local need.

1. Ensure evidence and place-based commissioning of public health programmes and services to improve outcomes for our population and demonstrate social value with regards to public sector investment.

2. Develop a skilled, resilient and resourceful workforce through effective recruitment, retention, support, performance management and capability building, and embedding wellbeing across the Council.

3. Develop a Corporate Evidence, Intelligence and Involved function, transferring and applying knowledge in order to accelerate improvements in the health and wellbeing of our population.

4. Engage with Bolton residents and partners to co-produce improved health and wellbeing outcomes, taking a whole system all age approach.

5. Provide Bolton's Integrated Care System and Greater Manchester's Public Service Reform, with access to the public health leadership and advice needed to transform the agenda, ensuring prevention and wellbeing is at the centre.

6. Ensure a productive and effective health and wellbeing board is in place, that has a clear strategy, aligned to Bolton's Vision 2030 and is underpinned by a comprehensive joint strategic needs assessment.

Directorate of Place

In 2019, the Place Directorate Plan for 2019/21 was launched, outlining the Directorate's priority areas and provides a focus for the Directorate going forward. During the first year of the Directorate Plan, the Council activated its Corporate Business Continuity Plan in order to actively respond to the global Coronavirus (Covid-19) pandemic. In this response, the Council's priority functions were identified so that resources could be diverted to ensure the continued welfare of staff, residents

and the most vulnerable members of Bolton's community. Critical services - such as waste collection, housing support services, pest control, building cleaning, security and response, licensing, unsafe buildings, trees management, and local business and enterprise support - within the Directorate of Place continued to be delivered under very difficult circumstances. This budget narrative therefore focuses on progress during the first 3 Quarters of 2019/20:

Regeneration of key areas of the borough continued at pace and Business Bolton continued to support business start-up and growth. Funding has been secured for major improvements in town centres. Options for regenerating Horwich, Westhoughton and Little Lever town centres have been consulted upon and the already approved Farnworth Masterplan is in the process of being implemented. Bolton's Town Centre Strategy also continued to be delivered - planning applications were approved at Trinity Gateway and the former Magistrates Court; and proposals were developed for the £200m redevelopment of Crompton Place Shopping Centre adjacent to Victoria Square.

A record number of people visited Bolton in 2019. Town centre events thrived, including participation and attendance at Ironkids and Ironman and the Food and Drink Festival. Over 1.2m people visited Bolton's libraries and museums including over 10,000 children visiting the newly refurbished Bolton Museum since its re-opening. The Albert Halls 2019 Christmas Pantomime attracted a record numbers of customers. Two new eateries opened - at Heaton Fold Garden Centre and "The Northern" in the Albert Halls.

The Directorate continued to work with local employers and residents to support people getting into employment, education, training and voluntary work. Team Bolton partners now actively contribute to the strategic planning of curriculum with Bolton College, with the aim of shaping a workforce responsive to local need and GM growth priorities. Digital Inclusion Funding has been procured to widen the participation of digital literacy amongst residents.

The Housing Delivery Plan was launched in November 2019 to support the building of nearly 5,000 dwellings in the next five years. Nearly 700 residents have accessed help to furnish their homes. Advice on managing £1.7m of debts has been provided. Over £200k of funding has been secured to support rough sleepers, and campaigns such as 'A Bed Every Night' and 'Street Kitchens' have been delivered.

Work has continued with partners to tackle crime by delivering schemes and projects to reduce domestic violence, youth crime, hate crime and anti-social behaviour. Neighbourhood Watch Schemes have been refreshed and a Public Space Protection Order in Bolton town centre has been introduced.

The 5-year GM Environment Plan was published, and the Directorate continued to work with GM colleagues on its delivery and on the Air Quality Strategy. Funding of £1.5m has been secured to deliver cleaner and greener activities across the borough. Behaviour change continued to be a priority - the Green Umbrella Programme continued to be successful; and driving change in the waste management behaviour of residents and businesses continued with the recycling rate increasing as waste collected in the grey bins reduced. Embedding of the GM waste disposal contract which started in June 2019 continued and drafting of Bolton's Single Use Plastic Strategy began.

The budgeted Directorate efficiency savings for 2019/21 is £5.7m and all planned savings are projected to be achieved, subject to political approvals. A further £10m of highway improvements have been delivered; and an additional Highway Capital

Maintenance Fund budget (£12m) and programme has been approved and implementation commenced. Bolton was a finalist in the APSE best performer awards for roads, highways and winter maintenance. The Directorate retained 99% of its cleaning and catering contracts and the School Meals Service achieved two top scores in the APSE performance standards. An LGC Award nominee was received for the Service Delivery Behaviour Change Programme and the Market Team won Team of the Year 2019 at the national NABMA Awards.

During this financial year, the Council's Property Services' functions were transferred to a different delivery model, which included the establishment of the Asset Management Hub, joining the Clear Sustainable Futures Partnership and the appointment of Robertson to deliver the Council's Facilities Management and Property Support Services' functions.

Section Four – Future Plans & Associated Risks

The Council is facing significant government funding cuts in future years. Combined with unavoidable cost pressures arising from increased demand for services and the economic position, it means that savings of £24m are required in 2019/20 (10% of the 2019/20 controllable revenue budget) with a further £8m from reserves required in 2020/21 to balance the budget. A full programme of work had been established to deliver the savings target over the two-year period 2019-21 and at the end of 2019/20 50% had been achieved.

However, this should all be considered against the current key issue of Covid-19. The Council is working closely with central government and the health service to support businesses and residents across the Council as follows;

- Supporting businesses - Rate relief coupled with grants for businesses in the retail, hospitality or leisure sector have to date helped around 4,500 businesses

- Supporting residents – the Council is making contact with vulnerable residents and tenants and is working with partners to proactively support rough sleepers. Residents who have serious underlying health conditions have been identified and there are processes in place to support this highly vulnerable group

- New services have been established, such as the Humanitarian Hub and Track Tracing and Testing is about to be rolled out, both being two examples where the council has to rapidly respond to the pandemic and change its delivery focus

Fair Funding Review (FFR)

It is likely that the FFR will be delayed again as a result of the Covid-19 pandemic. The section below provides some narrative as to what FFR will achieve and how it will be implemented.

As part of the 2016/17 finance settlement it was announced there would be a Fair Funding Review of authorities' funding needs, initially to be implemented in 2019/20. Due to the 2017 general election, in September 2017 it was announced that such a review would now be implemented in 2020. This in many ways ties in better as it will come after the current 4-year settlement period. Per the MHCLG terms of reference the FFR will;

- Set new baseline funding allocations for authorities
- Look at an assessment of needs and resources of authorities

Any financial planning is underpinned by the following key principles:

- Prudent assessment of future resources and unfunded cost pressures
- Maximisation of income generated across all areas of the Council and prompt collection of all amounts owed to the Council / minimisation of bad debts
- Prudent assessment of provisions required to mitigate potential future liabilities
- Risk-assessed level of reserves and balances held corporately to mitigate potential financial liabilities / commitments
- Maximisation of capital receipts from asset disposals to fund capital investment in line with our priorities.
- Maximisation of external grant funding that meets our priorities
- Prudent use of the Council's borrowing powers to undertake capital investment that is not funded by capital receipts, grants or contributions from third parties
- Promotion of 'invest to save' opportunities via detailed assessment of business cases
- Full integration of revenue and capital financial decision-making processes, to ensure the revenue implications of capital projects are accurately reflected in the medium-term financial plan and the annual budget
- Production of detailed implementation plans for all savings proposals
- Sign-off of all revenue budgets by the relevant senior manager before the start of the financial year
- Regular monitoring of budgets and robust management action to address any unplanned variances that arise

Business Rates

The government has deferred again the move to 75% business rates retention until 2021/22 at the earliest. When this occurs the local retention rate will be 75%. The overriding assumption is that any changes to business rates retention is fiscally neutral. In 2020/21 the Chancellor announced at the Budget that reliefs would be provided for 2020/21 covering Leisure and Hospitality for 2020/21. This further reduced our expected local collection of business rates by around £25m. These funds were then re-imbursed via S31 grant from government

At some stage there will also be a business rates re-set. This may take the form of either a full re-set or partial re-set. What this means is that any business rates growth above what the Council is expected to achieve over and above its baseline may either be fully taken or partially taken off the council. The government's rationale is that the overall business rates growth since the previous re-set in 2013 will be circa £2bn (if it's a full re-set), which it can then re-distribute to Councils. However, the impact of Covid-19 on the economy could well make a significant difference to future funding.

Due to budget constraints the Council's general capital programme has been severely restricted over the last few years. The Town Centre Strategy has resulted in an additional £100m resources for this programme. That aside, new capital programme initiatives are primarily being funded from capital receipts, for example from the sale of land or departmental capital grants.

Treasury Activity

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The Council currently has £178m of long-term debt. Cash investments (which are for a period of less than 1 year) vary from month to month and were £70m at the end of 2019/20

Future Risks

Clearly the Covid-19 pandemic has had and will continue to have an impact on the council's finances and ways of operating. This could be in the form of additional cuts when the government tries to balance its books or from reduced business rates or council tax should the country go into recession. The Chancellor has committed to unprecedented levels of funding (and as a result government borrowing) to try and ensure the economy avoids, as far as possible, a recession as the country leaves the lockdown during 2020/21. The loss of Airport dividend and investment income streams of around £8m for the next few years will impact substantially on the council's ability to balance its budget or fund one-off schemes.

Given the continued reductions in government grant levels, the growing, unavoidable expenditure pressures, and, as a consequence, the scale of reductions required, there is inevitably a large degree of risk when undertaking any future financial planning.

Other risks include;

Continual need to achieve further savings
Local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting; that is, the financial statements shall be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. However as noted above the Council has a savings programme to realise the £24m savings in 2019/20 with £8m required from reserves to balance the budget in 2020/21 whilst these savings are realised. Prior to Covid-19 the indicative savings target requirement for 2021/22 was £16m. As the Council's budget base reduces this makes it more difficult to find extra savings.

Should the savings target not be achieved in 2020/21 the budget will need to be balanced from reserves.

Global Economy / "Brexit" / Covid-19.
External factors including volatility in the Eurozone and oil prices may impact upon the Chancellor being able to balance his own budget with a potential impact of further cuts on Local government. The UK is now in its transition phase to leave the UK at the end of 2020. There is much debate about what the impact of leaving the EU without or without a deal will have on the UK economy. The impact of Covid-19 has meant that a number of policy decisions have been pushed back in the parliamentary timetable.

Demand Led Budgets
Even with the creation of the LATC the continuing increase in the elderly population will continue to put more pressure on Adult Services' budgets. Looked after Children budgets have also come under increased pressure in the last few years, with 1% of the 2019/20 council tax being directly set aside to fund this service. This means the council has taken the full 6% it was permitted to take over the period 2017/18 to 2019/20

Legislation / Funding changes
Since 2013 business rates collected by the Council have been distributed 50% to Central Government, 1% to Fire with 49% retained by the Council. As part of the 2019/20 finance settlement Bolton, along with the other GM authorities was given continued approval to be part of a 100% pilot scheme meaning that Councils retain 100% of their business rates with 1% passed to the Fire Authority. 100% business rates retention continues into 2020/21 and it is government's intention it will reduce to 75% at some stage

Aside from the 6% limit on the Adult Social Care Precept, for 2019/20 councils have been able to increase the general levy by up to 3% without the need for a referendum.

An explanation of which statements follow, their purpose and relationship between them

The remainder of this document is the Council's Statement of Accounts for the year ending 31 March 2020 and has been prepared in accordance with the 2019/20 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 Movement in Reserves Statement (MIRS)
This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The Comprehensive Income and Expenditure Statement (CIES)
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. From 2016/17 onwards, this has been amended to be consistent with the Council's internally reporting format.

The Balance Sheet
The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

The Cash Flow Statement
The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The Code requires that the Council's accounts are set out with the 4 core financial statements grouped together. Supplementary statements and Group accounts are also produced where applicable including;

Expenditure and Funding Analysis (EFA)
The Expenditure and Funding Analysis shows how annual expenditure is used and funded from annual resources (government grants, rents, council tax and business rates). The Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement

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.

Group Accounts
These have been prepared in respect of the Council's ownership of Bolton Cares Ltd and PSP Facilitating Ltd

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.

Acknowledgements

Finally, I would like to thank all the finance staff across the Council who helped contribute to this Statement and continue to work professionally under ever increasing competing demands. This has never been more evident than the pressures brought about by Covid-19.

Sue Johnson
Deputy Chief Executives
13 October 2020

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 both the Expenditure and Funding Analysis (EFA) and the Movement in Reserves Statement (MIRS).

2018/19 Restated					2019/20		
£000s	£000s	£000s			£000s	£000s	£000s
Expenditure	Income	Net		Note	Expenditure	Income	Net
136,499	43,529	92,970	Adult Services and Public Health		143,894	47,765	96,129
299,051	222,058	76,993	Children's Services		323,033	230,101	92,932
127,824	114,519	13,305	Leader		119,197	103,705	15,492
33,811	11,116	22,695	Deputy Leader		43,573	12,950	30,623
2,613	1,384	1,229	Strategic Planning and Housing		3,068	1,378	1,690
4,404	(1,793)	6,197	Environment Regulatory		4,720	4,477	243
53,911	34,258	19,653	Environment Delivery		55,741	32,104	23,637
26,378	13,910	12,468	Highways and Transport		27,359	11,758	15,601
2,589	(69)	2,658	Stronger Communities		2,872	469	2,403
(2,246)	6,576	(8,822)	Financial Services		9,344	13,406	(4,062)
684,834	**445,488**	**239,346**	**Cost of Services**		**732,801**	**458,113**	**274,688**
			Other operating expenditure				
		33,602	Loss on disposal of property plant & equipment				13,323
		(2,545)	Right to Buy Receipts				(2,142)
		39,800	Levies				35,731
		392	Parish Precepts				402
		71,249	**Total Operating Expenditure**				**47,314**
		19,546	Financing & investment income and expenditure	**35**			2,158
		(255,563)	Taxation & non-specific grant income	**36**			(239,064)
		74,578	**Deficit/(surplus) for year**				**85,096**

2018/19 Restated					2019/20		
£000s	£000s	£000s			£000s	£000s	£000s
Expenditure	Income	Net		Note	Expenditure	Income	Net
		(14,309)	(Surplus)/deficit on revaluation of Property, Plant & Equipment				(10,136)
		0	(Surplus)/deficit on available for sale				
		(775)	(Surplus)/deficit on Financial Instruments held at Fair Value through Other Comprehensive Income				22,675
		72,852	Remeasurements of the net defined benefit liability	**43**			(144,988)
		57,768	**Other comprehensive Income**				**(132,449)**
		132,346	**Total Comprehensive Income and Expenditure**				**(47,353)**

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed between “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Statement shows how the movements in year of the Council’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments chargeable to council tax for the year. The net increase/decrease line shows the statutory General Fund balance movements in the year following these adjustments.

Summary MIRS	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance 1 April 2018	**10,660**	**115,237**	**13,348**	**37,597**	**176,842**	**194,741**	**371,583**
Total Comprehensive Income and Expenditure	(74,577)				(74,577)	(57,768)	(132,345)
Adjustments from income & expenditure charge under the accounting basis to the funding basis (Note 10)	57,557	0	593	4,074	62,224	(62,252)	(28)
Increase or (Decrease) in 2018/19	(17,020)	0	593	4,074	(12,353)	(120,020)	(132,373)
Transfers to/from earmarked reserves (Note 9)	17,020	(17,020)	3	0	3	(3)	0
Balance at 31 March 2019 carried forward	**10,660**	**98,217**	**13,944**	**41,671**	**164,492**	**74,718**	**239,210**
Balance 1 April 2019	**10,660**	**98,217**	**13,944**	**41,671**	**164,492**	**74,718**	**239,210**
Total Comprehensive Income and Expenditure	(85,096)				(85,096)	132,452	47,356
Adjustments from income & expenditure charge under the accounting basis to the funding basis (Note 10)	72,118	0	47	(12,294)	59,871	(59,871)	0
Increase or (Decrease) in 2019/20	(12,978)	0	47	(12,294)	(25,225)	72,581	47,356
Transfers to/from earmarked reserves (Note 9)	12,978	(12,978)	3	0	3	(3)	0
Balance at 31 March 2020 carried forward	**10,660**	**85,239**	**13,994**	**29,377**	**139,270**	**147,296**	**286,566**

Balance Sheet

The Balance sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council 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 is those that the Council 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 2019 £000s		Note	31 March 2020 £000s
	Property, Plant & Equipment		
426,731	- Other land and buildings	**11**	435,249
10,675	- Vehicles, plant, furniture & equipment	**11**	7,214
135,320	- Infrastructure	**11**	136,135
10,218	- Community assets	**11**	10,218
3,267	- Assets under construction	**11**	9,699
1,139	- Surplus assets	**11**	717
587,350			**599,232**
69,131	Heritage assets	**12**	69,131
35,473	Investment property	**13**	35,672
194	Intangible assets	**14**	55
53,227	Long Term Investments	**15**	32,414
29,767	Long Term Debtors	**15**	29,739
775,142	**Long Term Assets**		**766,243**
122,608	Short Term Investments	**15**	70,321
654	Inventories	**17**	652
44,006	Short Term Debtors	**18**	37,341
3,325	Prepayments		5,711
20,198	Cash and Cash Equivalents	**20**	36,023
190,791	**Current Assets**		**150,048**
(11,833)	Short Term Borrowing	**15**	(1,818)
(46,390)	Short Term Creditors	**22**	(61,937)
(4,384)	Provisions for current liabilities	**23**	(3,459)
(3,182)	Revenue Grants in Advance	**37**	(2,079)
(65,789)	**Current Liabilities**		**(69,293)**

31 March 2019 £000s		Note	31 March 2020 £000s
(13,770)	Provisions for long term liabilities	**23**	(18,412)
(178,857)	Long Term Borrowing	**15**	(178,589)
(10,656)	Other Long Term Liabilities	**15**	(7,543)
(457,651)	Net Pensions Liability	**43**	(355,888)
(660,934)	**Long Term Liabilities**		**(560,432)**
239,210	**Net Assets**		**286,566**
	Represented by:		
	Usable Reserves		
10,660	- General Fund Balance	**9**	10,660
7,525	- Earmarked Statutory Reserves	**9**	6,876
90,692	- Earmarked Policy Reserves	**9**	78,363
13,944	- Capital Receipts Reserve		13,994
41,671	- Capital Grants Received in Advance		29,377
164,492			**139,270**
	Unusable Reserves	**9**	
228,685	- Revaluation reserve		231,421
42,974	- Financial Instruments Revaluation Reserve		20,300
(12,726)	- Financial Instruments Adjustment Account		(12,423)
(457,651)	- Pensions Reserve		(355,888)
10,517	- Deferred capital receipts		10,517
264,457	- Capital Adjustment Account		255,219
2,520	- Collection Fund Adjustment Account		1,877
(4,058)	- Short-term Accumulating Compensated Absences Account		(3,727)
74,718			**147,296**
239,210	**Total Reserves**		**286,566**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

31 March 2019 £000s		Note	31 March 2020 £000s
74,577	Net (surplus) or deficit on the provision of services		85,096
(85,057)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	**24**	(112,884)
30,452	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	**25**	12,714
19,972	**Net cash flows from Operating Activities**	**26**	**(15,074)**
1,120	Investing Activities	**27**	(14,114)
(8,182)	Financing Activities	**28**	13,363
12,910	**Net (increase) or decrease in cash and cash equivalents**		**(15,825)**
33,108	Cash and cash equivalents at the beginning of the reporting period		20,198
(12,910)	(Decrease) or Increase in cash as above		15,825
20,198	**Cash and cash equivalents at the end of the reporting period**	**20**	**36,023**

Notes to the Core Financial Statements

Contents

1 Accounting Policies

General Principles

The Statement of Accounts summarises the authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2019/20*, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets. The Statement of Accounts has been prepared on a 'going concern' basis.

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 revenue when (or as) the Council provides the relevant goods or services in accordance with the performance obligations in the contract.
- 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 and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the 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.

Council Tax and Non-domestic Rates

The Council, as a billing authority acts as an agent, collecting Council Tax and national non-domestic rates (NNDR) on behalf of the major preceptors and, as principals, collecting Council Tax and NNDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NNDR. Under the legislative framework for the Collection Fund, billing authorities and major preceptors share proportionately the risks and rewards that the amount of Council Tax and NNDR collected could be less or more than predicted.

The Council Tax and NNDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NNDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and NNDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the financing and investment income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

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, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to 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 at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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 three separate pension schemes:

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

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

However, the arrangements for the teachers' and the NHS schemes mean that liabilities for these benefits cannot be identified to the Council. The schemes are therefore accounted for as if they were defined contributions schemes – 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 the teachers' and NHS pensions in the year. The Children's services line in the CIES is charged with the employer's contributions payable to Teachers' Pensions in the year. The Adult Services and Public Health line in the CIES is charged with the employer's contributions payable to the NHS Pensions scheme in the year.

d) 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 discounted rate based on a corporate bond yield curve constructed on the constituents of the iBoxx AA corporate bond index.

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 pension's 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
- interest cost – the expected change 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.

e) 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.

Events After the Reporting Period

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

Financial Instruments

a) Financial Liabilities

Financial liabilities are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the Council's borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus any accrued interest), and interest charged to the CIES is the amount payable for the year according to the loan agreement.

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.

b) Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. In line with the new standards for IFRS9, there are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

c) Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently 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 financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus any accrued interest) and interest credited to CIES is the amount receivable for the year in the loan agreement.

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.

d) Financial Assets Measured at Fair Value through Profit and Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset.

An equity instrument that has been classed as FVPL can be designated as FVOCI if it is not held for trading (e.g. a strategic investment). Once this designation has been made it cannot be reversed. This designation would mean that any gains and losses would be held in the Financial Instruments Revaluation Reserve.

e) **Fair Value through Other Comprehensive Income (FVOCI)**

Financial Assets measured at FVOCI relates to financial instruments where the business model is achieved both through collecting contractual cash flows and selling financial assets.

Changes in the fair value of these assets are charged to Other Comprehensive Income and Expenditure. Cumulative gains and losses are charged to the surplus / deficit on provision of services when they are disposed of.

Under capital accounting regulations where these assets were treated as capital expenditure the gain or loss are reversed to an unusable reserve – the Capital Adjustment Account.

f) Expected Credit Loss Model

The Council will recognise a loss allowance for expected credit losses, if applicable, on assets where cash flows are solely principal and interest - i.e. financial instruments measured at amortised cost or held at FVOCI (unless they have been designated as such). This does not apply where the counterparty is central government or another local authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The authority has a number of loans to local businesses. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis. It has therefore assessed losses for the portfolio on a collective basis unless local knowledge indicates that a different loss profile is appropriate.

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, furniture, 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 Council's collections of Heritage Assets are accounted for as follows:

a) 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).

With regard to everything else an annual request is made to the Museums and Galleries officers to ensure there has been no significant changes to the collection which would affect the underlying valuation. If there were so, the collections would be independently valued

b) 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.

These are held on the balance sheet 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.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected to bring benefits to the Council for more than one financial year.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

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.

Intangible assets are tested for impairment whenever there is an indication that an asset might be impaired – any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line 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.

Interests in Companies and Other Entities

The Council has a material interest in 2 external entities that have the nature of subsidiaries, associates or joint ventures and therefore group accounts have been prepared.

Inclusion in the Council's group is dependent upon the extent of the Council's interest and power to influence an entity. The determining factor for assessing the extent of interest or power to influence is either through ownership of an entity, a shareholding in an entity or representation on an entity's board of directors.

An assessment of all the Council's interests has been carried out during the year, in accordance with the Code of Practice, to determine the relationships that exist and whether they should be included in the Council's group accounts.

In the Council's own single-entity accounts the Council's interest in those entities are recorded as financial assets at cost less any impairment. Any gains or losses are recognised in the CIES.

Inventories and long-term contracts

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

Long-term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use.

Properties are not depreciated but are re-valued on a maximum 4-yearly cycle. However, for investment properties the top 50 by value are valued annually as they account for 80% of the overall investment property portfolio by value. The Council's interest in the airport land is also valued annually. 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

i) 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.

ii) 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

i) 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 CIES 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 MIRS. 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 property, plant and equipment 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.

ii) 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.

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 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. 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 are regarded as not affecting the value of the collection as a whole.

Minimum Revenue Provision

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2003/3146) took effect from 31st March 2008. They require the basis on which the Minimum Revenue Provision (MRP) is calculated for future years to be approved by Council. This is the amount Councils are required to set aside for debt repayment each year.

General Fund Borrowing that was previously supported through the RSG system will be provided for in equal annual instalments over a 50 year period commencing 1st April 2015. For non-Housing schemes financed from unsupported borrowing, from 1st April 2008 MRP will be made for repayment equal to the estimated depreciation charge on those assets calculated on an equal instalment basis, calculated in accordance with normal accounting practice. For Finance Leases and the PFI scheme the capital element of the lease or unitary payment will be taken to be the MRP.

In instances where the Council incurs borrowing in order to lend funds to a third party, in accordance with the revised guidelines issued by the Secretary of State, MRP is required to be provided over the useful life of the asset created. In certain instances, and after undertaking comprehensive due diligence, if the Director of Corporate Resources is satisfied that any agreed repayment date will be met, the guidance will be reviewed and, if appropriate, no MRP will be set-aside. Annually the Council will undertake a financial assessment of the third parties' ability to repay the debt and where any adverse changes are perceived to be occurring then a provision will be created to cover any future potential financial losses.

Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

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)

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are only accounted for prospectively i.e. in the current and future years which are affected by the changes, they do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices, or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change in accounting policy is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances for the current year and comparative amounts for the prior period as if the new policy had always been applied.

Where material errors are discovered in prior period figures they are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision of services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year (i.e. 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 is probable that it yields benefits to the Council, that the cost can be measured reliably and the services that it provides are for more than one financial year. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged 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:

- assets surplus to requirements – fair value, determined by the measurement of the highest and best use value of the asset
- assets under construction – historical cost
- dwellings, other land and buildings, vehicles, plant and equipment are held at current value unless net current replacement cost is deemed to be appropriate as detailed below.
- 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.

c) Revaluations

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every four years. Properties categorised as Retail are re-valued annually. 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 as follows:

- 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.

Various freehold and leasehold properties owned by Bolton Council were valued as at 1 December 2019 by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors. The valuations were prepared in accordance with the requirements of the RICS Valuation – Global Standards, effective January 2020, the International Valuation Standards and IFRS as adapted and interpreted by the Financial Reporting Manual (FReM). The valuation of the operational properties was in accordance with Current Value as defined in the CIPFA Code. Specialised properties were valued using a Depreciated Replacement Cost (DRC) method because of the specialised nature of the asset means that there are no market transactions of this type of asset, except as part of the business or entity. Investment properties were valued to ‘fair value’ where ‘fair value’ is equivalent to ‘Market Value’.

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.

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, up to a maximum of 50 years. 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.

Depreciation is calculated on asset values at 1 April, i.e. depreciation is charged on expenditure or revaluations in the year. 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 non-current 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.

g) Componentisation
The Code requires that each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. 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.

Provisions, Contingent Assets and Contingent Liabilities

a) 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 and a reliable estimate can be made of the amount of the obligation, 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.

b) 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.

c) 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.

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, local taxation, 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.

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.

2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 1, the Council 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:

In October 2016 the Council submitted its Medium-Term Financial Summary covering 2016 to 2020 and in doing so accepted the option of four-year funding first outlined in the December 2015 Settlement which gives some certainty in respect of funding up to 2019/20. There are a number of grants for which there is still a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council 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 Council provides services.

The Council 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 41 for details.

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 most recent insurance valuations, and Smithills Hall and Hall i'th' Wood Museums were revalued in 2017/18 year at depreciated replacement cost by the then external valuers Urban Vision.

The Council has undertaken an analysis to classify the leases it holds, both as a lessee and lessor, as either operating or finance leases. The accounting policy for leases has been applied to these arrangements and are recognised where appropriate, as Property, Plant and Equipment in the Council's Balance Sheet.

Property Plant and Equipment are valued on the balance sheet in accordance with the statement of asset valuation principles and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS) which the council judges to be an appropriate basis:
.
Non-current assets, with the exception of those valued at depreciated historical cost, are valued sufficiently regularly to ensure that their carrying amount is not materially different from their value at year end, but as a minimum every four years. Valuations are undertaken during the year by external valuers commissioned by the Council. The Council recognises school assets for Community schools on its balance sheet. The Council has not recognised assets relating to Academies, Voluntary Aided, Voluntary Controlled, Free or Foundation schools as it is of the opinion that these assets are not controlled by the Council. Note however in most instances we do recognise the playing fields as our assets as the Council holds the legal title. School assets are recognised as a disposal from the Council's balance sheet on the date on which a school converts to Academy status. In addition, the Council made use of an auditor decision tree to validate our opinion.

In accounting for liabilities relating to the Municipal Mutual Insurance (MMI) claw back Scheme of Arrangement, although the scheme of administration has been called, and an initial levy of 25% has been paid, the Council has judged that the there is sufficient risk relating to the remaining 75% that it be classified as a contingent liability and is included within the Insurance Reserve and Provision. (Notes 9, 23 and 44)

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 pension's liability of changes in assumptions can be measured (see note 43).

Following the 2017 list revaluation, and the introduction of the Check, Challenge, Appeal process, the estimation of the provision for successful National Non Domestic Rates (NNDR) appeals which would result in a reduction in the Rateable Value (RV) has been based on the percentage of 4.6% built into the 19/20 multiplier. This percentage includes an estimated amount which is judged to be appropriate, for future appeals.

A judgement has been made about the group boundary relating to PSP Bolton. Under the Code (IFRS11) the arrangement is classed as a Joint Venture (see note 15).

In October 2013 the Council transferred assets (largely low value ground rents) to PSP Bolton. In return for this, as assets are developed by PSP, these will be brought on to the Council's books.
The Council undertakes its activities through a variety of undertakings, either under ultimate control or in partnership with other organisations. Those considered to be material are included in the group accounts. Profit and loss, net worth, and the value of assets and liabilities are considered individually for each organisation against a materiality limit set by the Council. An entity could be material but still not consolidated (if all of its business is with the Council and eliminated on consolidation) – i.e. the consolidation would mean that the group accounts are not materially different to the single entity accounts. The assessment of materiality also considers qualitative factors such as whether the Council depends significantly on these entities for the continued provision of its statutory services or where there is concern about the level to which the Council is exposed to commercial risk.

Under IFRS9 (Financial Instruments) the default categorisation of the Council's equity holdings would be Fair Value through Profit and Loss. However, it is the Council's view that the majority of its equity instruments are strategic investments (i.e. are not held for trading) and designating these at Fair Value through Other Comprehensive Income results in a reasonable and reliable accounting policy for the investment – see note 15.

Schools

Within its boundary, the Council has the following schools:

Type of School	Nursery	Primary	Secondary	Special
Community Schools	3	39	3	3
Controlled Schools	0	4	0	0
Voluntary Aided Schools	0	31	3	0
Total LA Schools	**3**	**74**	**6**	**5**
Academies	0	22	11	3
Free School	0	2	3	0
Total	**3**	**98**	**20**	**6**

a) Community Schools
These schools are owned by the Local Authority and managed by a governing body. The revenue expenditure for these schools is funded from the Dedicated Schools Grant (DSG) and accounted for within the Council's accounts. The buildings, reserves and other assets and liabilities are held on the Council's 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's accounts. The buildings do not belong to the Council, 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 Council and are therefore included in the balance sheet.

c) Voluntary Aided Schools
These schools are owned by either the Roman Catholic or Church of England Diocese. The governing bodies employ the staff but the education is provided on behalf of the Council and funded by the DSG, therefore all the revenue income and expenditure, reserves, current assets and liabilities are within the Council's accounts.

The buildings, however, are not held on the balance sheet with the exception of playing fields that are in Council ownership.

d) Academies / Free Schools

These schools are independent from the Council. Income and expenditure, reserves and current assets and liabilities are not within the Council's accounts. The DSG is calculated as part of Bolton's allocation but paid directly to the schools from the Department for Education. Existing buildings are transferred to the academy / Free School and only a nominal land value held on the asset register. Where academies/ Free Schools have had substantial new builds and these have been undertaken by the Council, these are accounted for in the capital account and held on the balance sheet. On completion the buildings are transferred to the academy/ Free School and as with other academies a nominal land value held.

3 Assumptions Made About the Future and Other Sources of Estimation Uncertainty

Debt Impairment

At 31 March 2020, the Council had a balance of short-term debtors of £37m. A review of significant balances suggested that an impairment of doubtful debts of £27m was appropriate. However, in the current climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required.

Pension Liability

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts used, the rate at which salaries 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. Greater Manchester Pension Fund has disclosed in their statements, uncertainty with the valuation of property and investments following the impact of the Covid-19 Pandemic. Further details can be found in Note 43

PFI and Similar Arrangements

PFI and similar arrangements have been considered to have an implied finance lease within the agreement. In reassessing the leases, the Council has estimated the implied interest rate within the leases to calculate interest and principal payments. In addition, the future RPI increase within the contracts has been estimated as remaining constant throughout the remaining period of the contract.

Property, Plant and Equipment

The Council's asset valuations were effective as of 1st December 2020. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.

4 Accounting Standards Issued not Adopted

The CIPFA Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. In addition, the Code requires an authority to disclose information relating to the impact of an

accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. Whilst some of these may not materially be significant for the council, they are presented here for information

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021.
- IAS 19 Employee Benefits will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact
- Amendments to IAS 28 Investment in Associates and Joint Ventures: Long term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle

5 Events After the Reporting Period

The Director of Corporate Resources authorised the Statement of Accounts on 12th June 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. Paragraph 3.8.4.3 of the Code requires for non-adjusting events that the following should be disclosed. These are considered below

The Covid-19 Pandemic

As outlined elsewhere in the Statement the Covid-19 pandemic has had a significant effect on the way the council operates.

Although there has been no real financial impact to the ledger in the last week of March, the main financial focus was understanding the loss of income and additional expenditure. This came in many guises.

- Operational income as a result of the closure of facilities e.g. community centres, libraries and museums, suspension of parking charges and parking enforcement and property rental income.
- Impact on Manchester Airport (see below)
- Market sustainability with care providers
- Procuring of Personal Protective Equipment (PPE)
- Business rates and council tax
- Potential impact on the 2019-21 savings target

The impact of the above are currently being assessed with a view to updating the Corporate Leadership Team in July 2020

To help offset the above, the government have provided Emergency Funding streams. In addition, the Council has passed on in excess of £50m Business Grants to eligible businesses. Details of the various funding streams are shown below;

Funding	Description	Bolton's Allocation
Emergency Funding 1 - received 27th March 20	Initial government non-ringfenced funding of £1.6bn to support councils with the Covid-19 pandemic	£9.25m
Emergency Funding 2 received 14th May 20	Second government non-ringfenced funding of £1.594bn to support councils with the Covid-19 pandemic	£7.86m
Covid-19 Council Tax Hardship Fund received 3rd April 20	Established to deliver relief to council tax payers during 2020/21 by reducing council tax liability using discretionary powers under S13A(1)(C) of the Local Government Finance Act 1992	£3.45m
Business Grant scheme - received 1st April 20	Grants to be passed on to eligible businesses to support them during the Covid-19 pandemic	£68m (around £58m is anticipated to be paid out). 5% of this (£2.9m) is used for the discretionary scheme below, with the balance (£8m) to be returned to government
Discretionary Business Scheme	Government directed that a proportion of the Business Grant Scheme can be used on a discretionary basis to support other eligible business categories	£2.9m - see above
Infection Control Fund	£600m fund to help support infection control in care homes	£2.3m to be received in two instalments in May and June
Track and trace	£300m fund to support the government's track and trace initiative	£1.998m
Re-opening the high street	£50m European Regional Development Fund grant. Authorities need to claim back this money from government as opposed to it being directly awarded	£253k

Manchester Airport Holdings Limited

One of the more significant financial impacts to date of the pandemic is the effect on Manchester Airport. The council has a 3.22% minority stake in Manchester Airport Holdings Limited (MAHL). As a result of ongoing growth, the Council received a dividend in 2019/20 of £6.4m, and in addition interest payments from investments of £2.2m. Due to the world-wide lock down there has been no passenger traffic through the group's airports since late March. The uncertainty in the aviation industry will continue for some time. The impact on the council is as follows

(a) No dividends or interest payments are expected to be made by MAHL for the next few years.
(b) In order to ensure MAHL's financial sustainability, Bolton along with the airport's other shareholders has agreed to provide revenue funding. This was

approved at Cabinet in May 2020 and will be up to £13m. The council will borrow this from the Public Works Loan Board and will cost circa £600k per annum in interest and MRP. Once MAHL returns to profitability, interest payments will more than cover this funding.

(c) The Council along with the other GM districts has invested in the Airport's new Drop and Go Car Park Project in the form of 'C' shares. One payment of £1.87m was made in late 2019/20 and has been treated at cost. Two further payments totalling £3.6m were made in early 20/21. A dividend will ultimately be received for this investment. The shares themselves will be valued annually alongside the main airport shareholding.

6 Restatement of Prior Year

The Department of Place made further changes to its reporting hierarchy in 2019/20. This has been reflected in the primary schedules to the financial statements. The changes made to amend the 2018/19 comparatives are as per the tables below:

Changes made to the CIES

		Expenditure	Income	Net
		£000s	£000s	£000s
Original	Corporate Resources	127,824	114,519	13,305
	Community Issues	2,589	(69)	2,658
	Strategic Planning and Housing	13,065	7,869	5,196
	Culture and Sport	9,280	(443)	9,723
	Deputy Leader	24,531	11,560	12,971
	Environmental Services	47,863	25,979	21,884
	Highways and Transport	26,378	13,910	12,468
		251,530	**173,325**	**78,205**
Restated	Leader	127,824	114,519	13,305
	Deputy Leader	33,811	11,116	22,695
	Strategic Planning and Housing	2,613	1,384	1,229
	Environment Regulatory	4,404	(1,793)	6,197
	Environment Delivery	53,911	34,258	19,653
	Highways and Transport	26,378	13,910	12,468
	Stronger Communities	2,589	(69)	2,658
		251,530	**173,325**	**78,205**

		Net expenditure chargeable to the General Fund	Adjustment between the funding & accounting basis	Net expenditure in CIES
		£000s	£000s	£000s
Original	Corporate Resources	20,447	(7,142)	13,305
	Community Issues	2,553	105	2,658
	Strategic Planning and Housing	3,552	1,644	5,196
	Culture and Sport	7,193	2,530	9,723
	Deputy Leader	11,715	1,256	12,971
	Environmental Services	15,107	6,777	21,884
	Highways and Transport	7,091	5,377	12,468
		67,658	**10,547**	**78,205**
Restated	Leader	20,447	(7,142)	13,305
	Deputy Leader	18,909	3,786	22,695
	Strategic Planning and Housing	471	758	1,229
	Environment Regulatory	3,079	3,118	6,197
	Environment Delivery	14,899	4,754	19,653
	Highways and Transport	7,300	5,168	12,468
	Stronger Communities	2,553	105	2,658
		67,658	**10,547**	**78,205**

7 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from annual resources (government grants, rents, council tax and business rates). The Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2018/19				2019/20		
Net expenditure chargeable to the General Fund	Adjustment between the funding & accounting basis	Net expenditure in CIES		Net expenditure chargeable to the General Fund	Adjustment between the funding & accounting basis	Net expenditure in CIES
£000s	£000s	£000s		£000s	£000s	£000s
85,618	7,352	92,970	Adult Services and Public Health	87,900	8,228	96,128
53,457	23,536	76,993	Children's Services	62,683	30,249	92,932
20,447	(7,142)	13,305	Leader	22,084	(6,592)	15,492
18,909	3,786	22,695	Deputy Leader	17,404	13,220	30,624
471	758	1,229	Strategic Planning and Housing	797	894	1,691
3,079	3,118	6,197	Environment Regulatory	(2,882)	3,125	243
14,899	4,754	19,653	Environment Delivery	18,355	5,282	23,637
7,300	5,168	12,468	Highways and Transport	7,891	7,710	15,601
2,553	105	2,658	Stronger Communities	2,276	127	2,403
(3,087)	(5,735)	(8,822)	Financial Services	(10,007)	5,945	(4,062)
203,646	**35,700**	**239,346**	**Cost of Services**	**206,501**	**68,188**	**274,689**
(186,626)	21,858	(164,768)	Other Income and expenditure	(193,523)	3,930	(189,593)
17,020	**57,558**	**74,578**	**Deficit/(surplus) for year**	**12,978**	**72,118**	**85,096**

8 Note to the Expenditure and Funding Analysis

2018/19					2019/20			
Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other differences	Total Adjustments		Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other differences	Total Adjustments
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
				Net Cost of Services				
963	2,672	3,717	7,352	Adult Services/Public Health	1,058	3,518	3,652	8,228
8,521	10,609	4,406	23,536	Children's Services	11,548	13,992	4,709	30,249
6	2,014	(9,162)	(7,142)	Leader	0	2,773	(9,365)	(6,592)
5,741	673	(2,628)	3,786	Deputy Leader	15,283	877	(2,940)	13,220
0	206	552	758	Strategic Planning and Housing	0	294	600	894
(6)	355	2,769	3,118	Environment Regulatory	151	483	2,491	3,125
1,280	3,045	429	4,754	Environment Delivery	699	4,145	438	5,282
4,682	778	(292)	5,168	Highways and Transport	6,817	1,049	(156)	7,710
0	89	16	105	Stronger Communities	5	102	20	127
(6,680)	(1,941)	2,886	(5,735)	Financial Services	(7,155)	4,685	8,415	5,945
14,507	**18,500**	**2,693**	**35,700**	**Net Cost of Services**	**28,406**	**31,918**	**7,864**	**68,188**
3,473	9,865	8,520	21,858	Other Income and Expenditure from the funding analysis	476	11,306	(7,852)	3,930
17,980	**28,365**	**11,213**	**57,558**	**Difference between the General Fund surplus/deficit and the CIES surplus/deficit**	**28,882**	**43,224**	**12**	**72,118**

Expenditure and Income analysed by nature

2018/19		2019/20
	Expenditure	
269,240	Employee Benefit Expenses	287,239
389,197	Other services Expenses	411,848
38,676	Support Services Recharges	42,072
26,397	Depreciation, Amortisation, impairment	33,715
30,882	Interest & Investment Payments	18,732
40,192	Precepts and levies	36,133
30,401	Loss on disposal of assets	10,913
824,985	**Total Expenditure**	**840,652**
	Income	
(484,166)	Fees charges & other service Income	(500,464)
(10,679)	Interest & investment income	(16,028)
(228,633)	Income from CT, NNDR	(228,627)
(26,929)	Grants & contributions	(10,437)
(750,407)	**Total Income**	**(755,556)**
74,578	**Surplus or deficit on provision of services**	**85,096**

9 Movements in Earmarked and Unusable Reserves

Movements in Earmarked Reserves

	Note	01-Apr-18	Transfers In	Transfers Out	01-Apr-19	Transfers In	Transfers Out	31-Mar-20
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Earmarked Statutory Reserves								
Schools Delegated Budgets	**1**	6,579	1,178	(781)	6,976	0	(518)	6,458
Public Health	**2**	1,586	393	(1,430)	549	244	(375)	418
Total Earmarked Statutory Reserves		**8,165**	**1,571**	**(2,211)**	**7,525**	**244**	**(893)**	**6,876**
Insurance	**3**	16,698	1,808	(2,000)	16,506	1,594	0	18,100
Reserves held for:								
Legal requirements	**5**	12,627	1,255	(3,733)	10,149	899	(2,406)	8,642
Dedicated Schools Grant	**6**	(6,481)	0	(1,209)	(7,690)	6	(5,014)	(12,698)
Existing commitments	**7**	31,651	29,603	(11,632)	49,622	15,934	(30,628)	34,928
To cover future key areas of spend	**8**	36,119	6,034	(31,213)	10,940	11,487	(10,393)	12,034
To cover key areas of risk	**9**	15,326	2,447	(7,756)	10,017	13,585	(6,245)	17,357
Service general contingencies	**10**	1,029	6,235	(6,117)	1,147	1,957	(3,104)	0
Available for reallocation	**11**	103	1,298	(1,401)	0	3,145	(3,145)	0
Total Earmarked Policy Reserves		**107,072**	**48,680**	**(65,061)**	**90,961**	**48,607**	**(60,935)**	**78,363**
Total Earmarked General Fund Reserves		**115,237**	**50,251**	**(67,272)**	**98,216**	**48,851**	**(61,828)**	**85,239**
General Fund Balance	**4**	10,660	0	0	10,660	0	0	10,660
Total Earmarked General Fund Reserves & Balances		**125,897**	**50,251**	**(67,272)**	**108,876**	**48,851**	**(61,828)**	**95,899**

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. Whilst these reserves have been created from revenue funding they can also be used for capital projects too. 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. **Public Health:** The Public Health grant is ring-fenced for public health functions as set out in Section 73B (2) of the National Health Services Act 2006 (as amended by the Health and Social Care Act 2012). We are required to complete a declaration that we've used the grant, or plan to use any of the grant we've set aside in reserves, for public health purposes.

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 Council 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 these main headings.

5. **Reserves we are legally required to maintain, total balance £8.6m,** include the following
   - Sinking funds we are legally obliged to maintain, and other legal liabilities from previous initiatives (£7.7m)
   - Funds held on behalf of schools, other agencies and Adult Services clients (£0.9m)

6. **Dedicated Schools Grant (DSG) reserve we are legally required to maintain, total deficit balance -£12.7m, (see Note 34)**
   - DSG deficit is a result of pressures in the high needs block due to continuing increases in the number of external placements and increased special school placements.

7. **Reserves with an existing commitment of £34.9m** include the following
   - Funds have been set aside from reserves identified for re-allocation to cover the cash flow consequences of savings during the 2019/21 budget process and balancing the 2019/21 budgets (£7.1m)
   - Funding held to meet the costs of committed Capital projects and allocations to meet specific investment initiatives agreed by the Council (£9.1m)
   - Capital reserves held on behalf of schools (£7.2m)
   - Funding held for Greater Manchester wide initiatives / working (£5.2m)
   - Funding accumulated to even out the Waste Levy over a number of years to avoid major peaks and troughs (£1.2m)
   - Schemes for Neighbourhood Management & Community (£0.7m)

8. **Reserves to cover key areas of known future spend of £12.0m** include

- Corporate Revenues Reserve - this supports one-off revenue projects (£4.9m)
- Earmarked funds held to support the Town Centre Strategy (£2.3m)
- Voluntary Community Social Enterprise Strategy reserve (£1.2m)
- Earmarked funds held on behalf of schools (£0.9m)
- 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 Services and Telephony, Schools systems, the replacement of hardware. It is anticipated that all of this funding will be required over the coming year (£0.7m)
- 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 (£0.4m)

9. **Reserves to cover key areas of risk of £17.4m** include
   - Emergency funding from Government to cover the costs relating to Covid-19 and expected to be fully spend during 2020-21 (£9.2m)
   - 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 (£3.4m)
   - Costs may fall on the Council for outstanding liabilities, such as future environmental risks or Equal Pay risks (£0.9m)
   - All departments have identified a number of smaller risk items (£2.0m)

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

	Opening Balance £000s	**Closing Balance £000s**	**Movement £000s**
Insurance	16,506	18,100	1,594
Other central reserves	51,394	53,468	2,074
Children's Services	20,120	12,143	(7,977)
Dedicated Schools Grant	(7,690)	(12,698)	(5,008)
Environmental Services	1,939	1,534	(405)
Development & Regeneration	3,876	3,613	(263)
Housing GRF	1,565	1,818	253
Adult Services	2,979	284	(2,695)
Public Health	2	101	99
Total Earmarked Policy Reserves	**90,691**	**78,363**	**(12,328)**

Movement in Unusable Reserves

Unusable Reserves	Opening Balance 01 April 2018 £000	Movement in year £000	Balance 31 March 2019 £000	Movement in year £000	Closing balance 31 March 2020 £000
Revaluation Reserve	230,221	(1,536)	228,685	2,736	231,421
Financial Instruments held at Fair Value	0	42,974	42,974	(22,674)	20,300
Available for sale financial instruments	42,199	(42,199)	0	0	0
Pensions	(356,437)	(101,214)	(457,651)	101,763	(355,888)
Capital Adjustment Account	271,165	(6,708)	264,457	(9,238)	255,219
Deferred Capital receipts	10,642	(125)	10,517	0	10,517
FIIA	0	(12,726)	(12,726)	303	(12,423)
Collection Fund	914	1,606	2,520	(643)	1,877
Accumulated Absences	(3,963)	(95)	(4,058)	331	(3,727)
Total	**194,741**	**(120,023)**	**74,718**	**72,578**	**147,296**

10 Adjustments to Accounting and Funding Basis

2018/19	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the CIES				
Charges for Depreciation, impairment and amortisation of non-current assets	(25,659)	0	0	25,659
Revaluation/impairment losses on PPE	(739)	0	0	739
Movement in fair value of investment properties	657	0	0	(657)
Capital grants & contributions applied	19,337	0	0	(19,337)
Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to CIES	(34,581)	0	0	34,581
Insertion of items not credited or debited to CIES				
Statutory provision for the financing of capital investment	7,498	0	0	(7,498)
Capital Expenditure charged against the General Fund	4,481	0	0	(4,481)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants & contributions unapplied credited to the CIES	7,592	0	(7,592)	0
Application of grants to capital financing transferred to the CAA			3,428	(3,428)
Application of grants to capital finance Revenue Expenditure funded from capital under statute	(90)	0	90	0
Adjustments primarily involving the Capital receipts Reserve				
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES	3,524	(3,524)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		3,056	0	(3,056)
Use of the Capital Receipts finance new Revenue expenditure Funded from capital under statute	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	0	(125)	0	125
Adjustments primarily involving the Financial Instruments adjustment Account				
Amount by which cost charges to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(12,726)	0	0	12,726

2018/19	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CIES	(54,099)	0	0	54,099
Employers' contributions & direct payments to pensioners' payable in the year.	25,737	0	0	(25,737)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which the CT and NDR income credited to the CIES is different from CT and NDR income calculated for the year in accordance with statutory requirements	1,606	0	0	(1,606)
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charge to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(95)	0	0	95
Total Adjustments	**(57,557)**	**(593)**	**(4,074)**	**(62,224)**

2019/20	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the CIES				
Charges for Depreciation, impairment and amortisation of non-current assets	(26,523)			26,523
Revaluation/impairment losses on PPE	(7,192)			7,192
Movement in fair value of investment properties	267			(267)
Capital grants & contributions applied	9,107			(9,107)
Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to CIES	(13,458)			13,458
Insertion of items not credited or debited to CIES				
Statutory provision for the financing of capital investment	8,052			(8,052)
Capital Expenditure charged against the General Fund	5,978			(5,978)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants & contributions unapplied credited to the CIES	1,331		(1,331)	
Application of grants to capital financing transferred to the CAA			6,421	(6,421)
Application of grants to capital finance Revenue Expenditure funded from capital under statute	(7,204)		7,204	
Adjustments primarily involving the Capital receipts Reserve				
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES	2,277	(2,277)		
Use of the Capital Receipts Reserve to finance new capital expenditure		714		(714)
Use of the Capital Receipts finance new Revenue expenditure Funded from capital under statute	(1,516)	1,516		
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES				
Adjustments primarily involving the Financial Instruments adjustment Account				
Amount by which cost charges to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	303			(303)

2019/20	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CIES	(69,340)			69,340
Employers' contributions & direct payments to pensioners' payable in the year.	26,115			(26,115)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which the CT and NDR income credited to the CIES is different from CT and NDR income calculated for the year in accordance with statutory requirements	(643)			643
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charge to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	328			(328)
Total Adjustments	**(72,118)**	**(47)**	**12,294**	**59,871**

11 Property, Plant and Equipment

Comparative movements in 2018/19

	Other Land & Buildings	Vehicles, Plant Furniture & Equipment	Infrastructure	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Gross book value brought forward	429,272	30,557	194,843	10,215	2,655	1,164	668,706
Accumulated depreciation & impairment brought forward	(7,722)	(17,148)	(62,089)	0	0	0	(86,959)
Net Book Value brought forward as at 31 March 2018	**421,550**	**13,409**	**132,754**	**10,215**	**2,655**	**1,164**	**581,747**
Additions	36,357	4,181	11,029	1	(16)	14	51,566
Revaluations recognised in the revaluation reserve	14,305	0	0	4	0	0	14,309
Revaluations recognised in the CI&E	(739)	0	0	0	0	0	(739)
Disposals	(33,097)	(727)	(232)	(1)	0	(39)	(34,096)
Transfers	165	(622)	0	0	622	0	165
Depreciation	(11,811)	(5,567)	(8,231)	0	0	0	(25,609)
Other	0	0	0	0	7	0	7
Net Book Value carried forward as at 31 March 2019	**426,730**	**10,674**	**135,320**	**10,219**	**3,268**	**1,139**	**587,350**
Gross book value carried forward	440,493	31,135	205,641	10,219	3,268	1,139	691,895
Accumulated depreciation & impairment carried forward	(13,763)	(20,461)	(70,321)				(104,545)
Net Book Value carried forward as at 31 March 2019	**426,730**	**10,674**	**135,320**	**10,219**	**3,268**	**1,139**	**587,350**

Property, Plant and Equipment – Movement in the year 2019/20

	Other Land & Buildings	Vehicles, Plant Furniture & Equipment	Infrastructure	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Gross book value carried forward	440,493	31,135	205,641	10,219	3,268	1,139	691,895
Accumulated depreciation & impairment carried forward	(13,763)	(20,461)	(70,321)				(104,545)
Net Book Value carried forward as at 31 March 2019	**426,730**	**10,674**	**135,320**	**10,219**	**3,268**	**1,139**	**587,350**
Additions	31,600	1,148	9,520	7	6,438		48,713
Revaluations recognised in the revaluation reserve	10,381					(252)	10,129
Revaluations recognised in the CI&E	(7,023)					(170)	(7,193)
Disposals	(13,308)		(116)	(8)			(13,432)
Transfers	60						60
Depreciation	(13,180)	(4,608)	(8,589)				(26,377)
Other	(11)				(7)		(18)
Net Book Value carried forward as at 31 March 2020	**435,249**	**7,214**	**136,135**	**10,218**	**9,699**	**717**	**599,232**
Gross book value carried forward	451,853	28,459	215,044	10,218	9,699	717	715,990
Accumulated depreciation & impairment carried forward	(16,604)	(21,245)	(78,909)				(116,758)
Net Book Value carried forward as at 31 March 2020	**435,249**	**7,214**	**136,135**	**10,218**	**9,699**	**717**	**599,232**

PFI assets included in Property, Plant and Equipment £6.73m

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.

	Operational property £000s	Surplus assets £000s	Vehicles, plant and equipment £000s	Total Property, Plant & Equipment £000s
Valued at Historical Cost	15	0	7,214	7,229
Valued at Current Value in				
2019/20	207,827	350		208,177
2018/19	46,970			46,970
2017/18	153,242			153,242
2016/17	27,175	317		27,492
Pre 16/17	20	50		70
Total Property, Plant & Equipment	**435,249**	**717**	**7,214**	**443,180**

Capital Commitments

At 31 March 2020, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and beyond. The major commitments are:

Approved and Contracted Schemes	£000s
Development & Regeneration Capital	2,522
Primary Expansion Programme	2,408
Secondary Expansion Programme	1,384
Building Maintenance Plan	1,000
Chief Executive's Department Capital	694
Special School Expansion Programme	637
Highways Capital	337
Non-Highways Capital	153
Youth & Play	150
Children's Centres	72
School Capital Support Fund	18
Housing Capital	8
Schools Access Initiative	2
Total	**9,385**

Schemes Approved But Not Contracted	£000s
Environmental Services Slippage	27,544
Chief Executive's Department Slippage	18,729
Day Care - Jubilee	8,067
Housing Slippage	4,844
Secondary Expansion Programme	4,387
Special School Expansion Programme	3,551
Primary Expansion Programme	2,800
Building Maintenance Plan	2,049
Devolved Formula Capital	1,621
Children's Centres	800
Youth & Play	390
Leisure & Youth Provision	197
Supported Housing Developments	193
School Capital Support Fund	166
Schools Access Initiative	82
Housing Capital	48
Total	**75,468**

12 Heritage assets

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).

Traditionally, 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. Other acquisitions in 2019/20 (made by donation rather than purchase) include an Egyptian dish which fitted with a fragment in the museum's collection. It was given by various donors who had purchased it and is now on display as one of our most significant objects. Others include objects from the climate strike in Bolton in September 2019 and items relating to former mayor Alderman Stanley Entwistle. None of these are high value objects, insurance value £1000.

There have been no acquisitions or disposals relating to the historic buildings.

There have been no disposals during 2019/20.

	£000s
Gross book value brought forward	69,131
Accumulated depreciation & impairment brought forward	0
Net Book Value brought forward as at 31 March 2019	**69,131**
Additions	17
Revaluations recognised in the revaluation reserve	
Disposals	(17)
Net Book Value carried forward as at 31 March 2020	
Gross book value carried forward	69,131
Accumulated depreciation & impairment carried forward	0
Net Book Value carried forward as at 31 March 2020	**69,131**

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 in accordance with the policies. 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.

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.

An annual request is made to the Museums and Galleries officers to ensure there have been no significant changes to the collection which would affect the underlying valuation. If there were so, the collections would be independently valued.

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).

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.

These are held on the balance sheet 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.

Art Collection

The Council's Art Collection includes paintings (both oil and watercolour) and sketches which are reported in the Balance Sheet at insurance value.

The assets within the art collection are deemed to have indeterminate lives and high residual value; hence the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by external valuers and with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

13 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.

	2019/20 £000s	2018/19 £000s
Rental income from investment property	2,028	1,910
Direct operating expenses arising from investment property	(1,032)	(985)
Net gain/(loss)	**996**	**925**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or to repair, maintain or enhance it.

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

	2019/20 £000s	2018/19 £000s
Balance at start of the year	35,473	35,094
Additions: purchases	3	0
Disposals	(4)	(205)
Net gains/losses from fair value adjustments	260	657
Reclassifications	(60)	(165)
Other changes		92
Balance at end of the year	**35,672**	**35,473**

14 Intangible Assets

The Council regards the cost of purchased software as an intangible asset, which is amortised over its expected useful life.

	2019/20 £000s	2018/19 £000s
Balance at start of the year	194	333
Additions: purchases	5	0
Amortisation in year	(139)	(139)
Other changes	(5)	0
Balance at end of the year	**55**	**194**
Comprising:		
Gross carrying amount	694	694
Accumulated amortisation	(639)	(500)
	55	**194**

15 Financial Instruments

Categories of Financial Instruments - The following categories of financial instrument are carried in the balance sheet:

Financial assets

	Non-Current				Current				
	Investments		Debtors		Investments		Debtors		Total
	31 Mar 20 £000	31 Mar 19 £000	31 Mar 20 £000	31 Mar 19 £000	31 Mar 20 £000	31 Mar 19 £000	31 Mar 20 £000	31 Mar 19 £000	31 Mar 20 £000
Amortised Cost	7	16	29,739	29,767	70,321	122,608	63,010	55,501	**163,077**
Fair value through other comprehensive income – designated equity instruments	32,407	53,211	0	0	0	0	0	0	**32,407**
Total financial assets	**32,414**	**53,227**	**29,739**	**29,767**	**70,321**	**122,608**	**63,010**	55,501	**195,484**
Non-financial assets	0	0	0	0	0	0	10,354	8,703	10,354
Total	**32,414**	**53,227**	**29,739**	**29,767**	**70,321**	**122,608**	**73,364**	**64,204**	**205,838**

Financial liabilities

	Non-Current				Current				
	Borrowings		Creditors		Borrowings		Creditors		Total
	31 Mar 20 £000	31 Mar 19 £000	31 Mar 20 £000	31 Mar 19 £000	31 Mar 20 £000	31 Mar 19 £000	31 Mar 20 £000	31 Mar 19 £000	31 Mar 20 £000
Amortised Cost	178,589	178,840	7,543	9,385	1,818	11,833	52,893	38,746	**240,843**
Total financial liabilities	**178,589**	**178,840**	**7,543**	**9,385**	**1,818**	**11,833**	**52,893**	**38,746**	**240,843**
Non-financial liabilities	0	0	0	0	0	0	9,044	8,915	**9,044**
Total	**178,589**	**178,840**	**7,543**	**9,385**	**1,818**	**11,833**	**61,937**	**47,661**	**249,887**

Detailed Financial Instruments Breakdown

	Long-term		Current	
	31 Mar 20 £000s	31 Mar 19 £000s	31 Mar 20 £000s	31 Mar 19 £000s
Investments				
Banks and other financial institutions (net of impairment)	0	0	70,321	122,608
Fair Value through Other Comprehensive Income (Manchester Airport)	30,200	52,700	0	0
Fair Value through Other Comprehensive Income (JP Morgan Trust)	337	511	0	0
Fair Value through Other Comprehensive Income (Manchester Airport Drop & Go 'C' shares)	1,870	0	0	0
Unquoted equity investment at cost (Local Education Partnership)	7	16	0	0
Total Investments	**32,414**	**53,227**	**70,321**	**122,608**
Cash & Cash Equivalents				
Bank current accounts & overdrafts	0	0	(90)	1,333
Bank Call accounts and Money Market Funds	0	0	36,113	18,865
Total Cash & Cash Equivalents	**0**	**0**	**36,023**	**20,198**
Debtors				
Advances and Interest due re Manchester Airport	21,356	20,250	0	0
PSP Bolton	10,525	10,525	0	0
Middlebrook Leisure Trust	6	8	0	0
Former Magistrates Authorities (10 Greater Manchester Districts)	648	677	0	0
Long term leasing	49	49	0	0
Financial assets carried at contract amounts	0	0	40,170	47,487
Non-financial assets	0	0	24,282	22,670
NW Evergreen Ltd Partnership	131	131	0	0
Bolton at Home Equal Pay	378	378	0	0
Bolton Wise	411	411	0	0
Sub total	**33,504**	**32,429**	**64,452**	**70,157**
Expected Credit Loss	(3,765)	(2,662)	(27,111)	(26,151)
Total Debtors	**29,739**	**29,767**	**37,341**	**44,006**
Borrowings				
Financial liabilities at amortised cost – Market Loans	60,000	60,250	0	0
PWLB	118,000	118,000	0	0
Short-term borrowings	0	0	1,818	11,833
LOBO Interest Rate Equalisation	589	607	0	0
Total Borrowings	**178,589**	**178,857**	**1,818**	**11,833**
Other Creditors and Liabilities				
Private Finance Initiative (PFI)	5,535	6,017	0	0
Finance Leases	537	636	0	0
Ex-GMC residual debt	1,471	2,732	1,268	1,271
Financial liabilities carried at contract amounts	0	0	51,625	37,475
Non-financial liabilities	0	0	9,044	8,915
Total Creditors	**7,543**	**9,385**	**61,937**	**47,661**

Investments in equity instruments designated at fair value through other comprehensive income

Further to the introduction of IFRS 9 during the 2018/19 financial year, the authority designated the following equity as fair value through other comprehensive income (fair values as at 31 March 2020 shown):

	Nominal	Fair Value	Change in fair value during 2019/20
Description	**£000**	**£000**	**£000**
Manchester Airport Shares	10,214	30,200	(22,500)
J P Morgan Trust	380	337	(174)

Manchester Airport Shares - The authority holds a 3.22% shareholding in Manchester Airport. The shareholding originated through a policy initiative with other Greater Manchester authorities to promote economic generation and tourism. As the asset is not held for trading or income generation, rather a strategic longer term policy initiative the equity has been designated as fair value through comprehensive income.

J P Morgan Trust - The authority holds stock in J P Morgan Trust on behalf of Graves in Perpetuity. The asset is not held for trading purposes, and the Authority has no intention to dispose of the holding. The authority has therefore designated the equity as fair value through comprehensive income.

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

- Bolton Council owns 3.22% of the non-voting shares in Manchester Airport Group (MAG) and will receive 3.22% of any dividends paid. The shareholding can be valued using the earnings based method and discounted cash flow method. In the year the Council received dividends of £6.429m (of which £2.300m was in advance of the 20/21 financial year). MAG's most recent accounts for the year ending 31 March 2019 indicated the company had net assets of £1,492.7m (£1,520.6m the previous year) and made a profit of £147.7m after taxation (£122.5m 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.

- 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.

- In August 2015 the Council agreed to the creation of a Local Authority Trading Company (LATC) to deliver certain Adult Social Care Services. In September 2015 three companies were registered at Companies House:

    - Bolton Care and Support Limited
    - Bolton Care and Support (A) Limited
    - Bolton Care and Support (B) Limited

The three companies are guaranteed by shares, each Company has 1 share with a value of £10 and these have been fully paid by the Council.

In July 2016 Bolton Care and Support Limited and Bolton Care and Support (A) Limited started to trade and Council staff were TUPED into Bolton Care and Support (A) Limited.

Since creation the names of the companies have changed as follows:

- Bolton Care and Support Limited is now Bolton Cares Limited
- Bolton Care and Support (A) Limited is now Bolton Cares (A) Limited
- Bolton Care and Support (B) Limited is now Bolton Cares (B) Limited

The three companies are collectively known as Bolton Cares.

Bolton Cares (B) Limited started to trade in June 2019 under the trading name of 'Salford Cares' after being awarded a contract to deliver Supporting Living and Outreach services in Salford.

- PSP Bolton: On 6 December 2011 the Council entered into an agreement with PSP Facilitating Ltd to establish a Limited Liability Partnership, trading as PSP Bolton LLP. This is classed as a Joint Venture. The partnership was 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 Council initially granted Options to Purchase on a number of assets to PSP Bolton for £1 each. Assets are sold to third parties and the Council is guaranteed a minimum receipt determined by professional valuers and agreed by both parties. Assets can be added to the list as opportunities are identified.

    - On 26 July 2013 a fully owned subsidiary of PSP Bolton LLP was established, called PSP Bolton (GR) LLP, in order to create a separate vehicle which would specifically acquire a large number of low value assets from the Council, mainly ground rents, and either dispose of them or manage them. The value of these assets was £14.25 million, and the Council will receive in return either a smaller number of higher value assets, which will generate the same income flow as the assets disposed of, the income flow from any PSP developed assets, or will receive cash. To date, the Council has received 1 asset (Bolton Travelodge) and receives the rental income from the Interchange Office block. The amount outstanding from PSP Bolton (GR) has been recognised in our accounts as a deferred capital receipt (£10.5m

    - The amount owed to Bolton Council is £2,550,064 which is retained within PSP Bolton LLP to fund future projects

    - The provisional assets and liabilities of both partnerships for the period ending 31st March 2020 are summarised below:

- Please note these figures are in pounds, not thousands of pounds.

	PSP Bolton LLP		PSP Bolton (GR) LLP	
	To 31 March 2020 £	To 31 March 2019 £	To 31 March 2020 £	To 31 March 2019 £
Fixed Assets				
Investments	1	1	0	0
Current Assets				
Stock and Receivables	7,305,304	7,345,428	99,400	100,000
Debtors (incl. amounts due from Members)	0	9,286,637	17,791,954	14,888,368
Prepayments	5,622	20,995	0	21,990
Amounts Recoverable on Long Term Contracts	0	0	0	0
Cash	4,655,734	7,031,000	1,378,829	4,527,980
Total Assets	**11,966,661**	**23,684,061**	**19,270,183**	**19,538,338**
Creditors amounts due within 1 year	(70,717)	(206,740)	(5,554)	(65,465)
Loans & debts due to members	(3,222,660)	(8,698,204)	(9,092,837)	(9,286,640)
Amounts owed to Group	(8,673,282)	(14,779,115)	(10,171,790)	(10,186,231)
Total Liabilities	**(11,966,659)**	**(23,684,059)**	**(19,270,181)**	**(19,538,336)**
Net Assets	**2**	**2**	**2**	**2**
Represented by:				
Members' capital classified as equity	**2**	**2**	**2**	**2**
Total Members' Interest				
Amounts due from Members (included in debtors)	0	0	(17,766,114)	(14,779,115)
Loans and other debts due to Members in creditors	3,222,660	8,698,204	9,092,837	9,286,640
Members' interest	2	2	2	2
	3,222,662	**8,698,206**	**(8,673,275)**	**(5,492,473)**
Status of accounts	Unaudited	Audited	Unaudited	Audited

Financial Instruments - Income, Expenses, Gains and Losses

	2019/20				2018/19			
	Financial Liabilities held at amortised cost	Financial Assets held at amortised cost	Financial Assets: designated fair value through other comprehensive income	Total	Financial Liabilities held at amortised cost	Financial Assets held at amortised cost	Financial Assets: designated fair value through other	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Interest expense & similar charges	5,956	0	0	**5,956**	19,264	0	0	**19,264**
Total expense in Surplus or (Deficit) on the Provision of Services	**5,956**	**0**	**0**	**5,956**	**19,264**	**0**	**0**	**19,264**
Interest income and dividends	0	1,332	6,455	**7,787**	0	1,439	5,658	**7,097**
Interest income accrued on impaired financial assets	0			**0**	0	0	0	0
Total income in Surplus or (Deficit) on the Provision of Services	**0**	**1,332**	**6,455**	**7,787**	**0**	**1,439**	**5,658**	**7,097**
Gains (Loss) on revaluation	0	0	(22,674)	**(22,674)**	0	0	775	775
Surplus/(Deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**(22,674)**	**(22,674)**	**0**	**0**	**775**	**775**
Net gain/(loss) for the year	**(5,956)**	**1,332**	**(16,219)**	**(20,843)**	**(19,264)**	**1,439**	**6,433**	**(11,392)**

Note – During 2018/19 the authority incurred a premium of £13,018k paid on the early redemption of one of the authority's borrowings. The authority elected to apply statutory provisions allowing it to spread the impact of the premium over what would have been the remaining term of the loan. In 2019/2020 the interest expenses and similar charges figure of £5,956k includes an amount of £303k relating to this deferred premium.

Fair value of Assets and Liabilities

Financial liabilities and financial assets represented by loans and interest receivable 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 2020 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 Expected Credit Loss Provision;
- 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-Mar-20		**31-Mar-19**	
	Carrying amount £000s	**Fair value £000s**	**Carrying amount £000s**	**Fair value £000s**
Financial Liabilities:				
Market Loans	60,589	77,394	60,857	95,026
PWLB Loan	118,000	121,693	118,000	128,502
Trade Creditors	51,625	51,625	37,475	37,475
Bank Overdrawn and Short Term Borrowing	10,795	10,795	17,840	17,840
Total Financial Liabilities	**241,009**	**261,507**	**234,172**	**278,843**

The fair value of liabilities is higher than the carrying amount because the Council'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-Mar-20		31-Mar-19	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Loans and receivables:				
Loan to Manchester Airport	20,250	61,292	20,250	64,048
Money Market Loans Less than One Year	70,321	70,321	122,608	122,608
Other Long Term Debtors	13,254	13,254	12,179	12,179
Trade Debtors	26,987	26,987	35,303	35,303
Cash and Cash Equivalents	45,000	45,000	26,205	26,205
Total Loans and Receivables	**175,812**	**216,854**	**216,545**	**260,343**

The difference between carrying amount and fair value of the Manchester Airport Loan is due to the fixed interest instrument held by the Council including an interest rate that is higher than the prevailing rate estimated to be available at 31 March 2020. This increases the fair value of the loans.

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.

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

31/03/2020 **Recurring fair value measurements**		**Other significant observable inputs (Level 2) £000**
Financial Liabilities	Financial liabilities held at amortised cost:	
	PWLB	118,000
	Non-PWLB	60,589
	Short term debt	0
	PFI and finance lease liability	8,811
	Total	**187,400**
Financial Assets	Financial assets held at amortised cost:	70,321
	Other financial assets - Long Term	7
	Total	**106,161**

31/03/2019 Recurring fair value measurements		Other significant observable inputs (Level 2) £000
Financial Liabilities	Financial liabilities held at amortised cost: PWLB Non-PWLB Short term debt PFI and finance lease liability	 118,000 60,857 0 10,656
	Total	**189,513**
Financial Assets	Financial assets held at amortised cost: Other financial assets - Long Term	122,608 16
	Total	**106,161**

The fair value for financial liabilities and financial assets that are not measured at fair value included in the tables above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate detailed.

The fair value for financial liabilities and financial assets that are not measured at 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 assumptions detailed above, primarily for financial liabilities the fair value is arrived at by applying the discounted cash flow calculations based on the PWLB premium/discount calculations.

16 Nature and Extent of Risks Arising from Financial Instruments

Key Risks

The Council'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 Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council 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 Council as a result of changes in interest rates movements.

The Council'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 and investment strategies, which incorporates the prudential indicators were approved by Council on February 2019 and are 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 Council'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 counterparties 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) are:

Banks 1 - good credit quality	The Council will only use banks which are UK banks; and have, as a minimum, the following Fitch, Moody's and Standard and Poor's credit ratings (where rated); Short term – F1/P1/A1 Long term – A-/A3/A-
Banks 2 - Part nationalised UK banks - Lloyds Banking Group (Lloyds Bank and Bank of Scotland) and Royal Bank of Scotland (Royal Bank of Scotland and National Westminster Bank).	These banks can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.
Banks 3	The Council's own banker if the bank falls below the above criteria.
Building Societies	The Council will *use* all societies which meet the ratings for Banks 1 outlined above
UK Government (the DMADF)	
Local authorities, parish councils etc.	
Money Market Funds	AAA with a Fixed Net Asset Value (NAV).

Deposits are not made with banks and financial institutions unless they are rated independently to have a sound credit rating. Based upon past experience the investments held at the 31 March 2020 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 2019/20 £000s	Total Outstanding 31 March 2018/19 £000s
Bonds	3.90 to 4.825	60,000	60,250
PWLB	2.55 to 2.64	118,000	118,000
Mortgages		0	0
Total Borrowing		**178,000**	**178,250**
Less: Due within 12 Months on demand		0	250
		178,000	**178,000**
An Analysis of Loans by Maturity at 31 March:			
Amounts of Principal to be Repaid			
Within 1 year		0	250
In 1 to 2 Years		0	0
In 2 to 5 Years		0	0
In 5 to 10 Years		0	0
10 - 20 Years		0	0
After 20 Years		178,000	178,000
		178,000	**178,250**

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 Council 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 Council 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 Council. 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.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 50% of its net debt in variable rate loans and investments. None of the Council's borrowings held at the 31 March 2020 were in variable rate loans (accordingly our policy was satisfactorily met). 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 Council'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 fixed rate borrowings	1,780
Increase in interest receivable on fixed rate investments	(1,263)
Impact on Income and Expenditure Account	**517**
Decrease in fair value of "amortised cost" investment assets	517
Impact on MIRS	517
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 Council does not generally invest in equity shares or marketable bonds but does have a holding to the value of £0.337m in an investment trust, which will only be realised in favourable circumstances. The Council 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 has been designated as 'fair value through other comprehensive income', meaning that all movements in price will impact on gains and losses recognised in the MIRS. A general shift of 5% in the price of shares (positive or negative) would thus have resulted in a £16,800 gain or loss being recognised in the MIRS.

Foreign exchange risk

The Council has no foreign exchange exposure.

17 Inventories

	Consumable Stock	
	2019/20 £000s	2018/19 £000s
Balance outstanding at start of year	654	689
Purchases	1,971	1,941
Recognised as an expense in the year	(1,973)	(1,976)
Balance outstanding at year end	**652**	**654**

18 Debtors

	31 March 2020 £000s	31 March 2019 £000s
Central government bodies	10,683	5,847
Other local authorities	6,523	3,602
NHS bodies	506	2,777
Public corporations and trading funds	12,578	23,705
Other entities and individuals	34,162	34,226
Sub total	**64,452**	**70,157**
Less: Provision for Bad Debts	(27,111)	(26,151)
Total	**37,341**	**44,006**

19 Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

	31 March 2020 £000s	31 March 2019 £000s
Less than three months	2,718	3,383
Three to six months	2,718	3,383
Six months to one year	5,436	6,767
More than one year	14,196	9,479
Total	**25,068**	**23,012**

20 Cash and Cash Equivalents

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

	31 March 2020 £000s	31 March 2019 £000s
Cash held by the Council		
Bank current accounts	8,887	7,340
Bank Call accounts and Money Market Funds	36,113	18,865
Total Cash held by the Council	45,000	26,205
Bank Overdraft	(8,977)	(6,007)
Total Cash and Cash Equivalents	**36,023**	**20,198**

21 Assets Held for Sale

	Non-Current	
	2019/20 £000s	2018/19 £000s
Balance outstanding at start of year	0	275
Assets newly classified as held for sale:	0	0
Assets sold	0	(275)
Balance outstanding at year-end	**0**	**0**

22 Creditors

	31 March 2020 £000s	31 March 2019 £000s
Central government bodies	19,198	6,097
Other local authorities	4,378	2,412
NHS bodies	864	387
Public corporations and trading funds	24,257	23,163
Other entities and individuals	6,756	8,131
Teacher's Pensions Scheme	2,757	2,142
Short term accumulated absences account	3,727	4,058
Total	**61,937**	**46,390**

23 Provisions

	Self-insurance – liability & fire (1) £000s	Business Rates Appeals (2) £000s	Total £000s
Balance at 1 April 2019	6,579	11,575	**18,154**
Additions in year	3,254	5,317	8,571
Amounts used in year	(1,635)	(1,624)	(3,259)
Unused amounts reversed in year	(1,595)	0	(1,595)
Balance at 31 March 2020	**6,603**	**15,268**	**21,871**
Split as:			
Short term	1,887	1,572	3,459
Long term	4,716	13,696	18,412
Total	**6,603**	**15,268**	**21,871**

Notes

1. In accordance with IAS 37 the Insurance Liabilities at 31 March 2020 are estimated to be £6,603,000.
2. This is Bolton Council's share (99%) of the estimated impact of outstanding Business Rates Appeals at the 31 March 2020.

24 Cash Flow Statement – Adjustment on provision of services for non-cash movements

	2019/20 £000s	2018/19 £000s
Depreciation of Non-Current Assets	(26,523)	(25,658)
Impairment of Non-Current Assets	0	0
Pension Fund adjustments	(43,225)	(28,362)
Contributions to Provisions	(3,717)	(2,275)
Carrying amount of PP&E, investment property and intangible assets sold	(13,458)	(34,581)
Other non-cash movement	(6,952)	(75)
	(93,875)	**(90,951)**
Accruals adjustments:		
Increase/(Decrease) in Inventories	(2)	(35)
Increase/(Decrease) in Debtors	(3,204)	7,531
Increase/(Decrease) in Interest Debtors	(287)	145
(Increase)/Decrease in Creditors	(15,548)	(1,632)
(Increase)/Decrease in Interest Creditors	32	(115)
	(19,009)	**5,894**
Total Adjustment to net Surplus or deficit on the provision of services for non-cash movements	**(112,884)**	**(85,057)**

25 Cash Flow Statement – Adjustment on provision of services for investing or financing activities

	2019/20 £000s	2018/19 £000s
Proceeds from the disposal of PPE, investment property and intangible assets	2,277	3,524
Capital Grants credited to Surplus or deficit on the provision of services	10,437	26,929
	12,714	**30,453**

26 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2019/20 £000s	2018/19 £000s
Interest received	(1,646)	(1,306)
Interest paid	5,670	6,103
Dividends received	(6,455)	(4,025)

27 Cash Flow Statement - Investing Activities

	2019/20 £000s	2018/19 £000s
Purchase of property, plant and equipment, investment property and intangible assets	48,739	51,572
Purchase of short-term and long-term investments	71,870	127,000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,277)	(3,524)
Proceeds from short-term and long-term investments	(122,009)	(147,000)
Other investing activities	(10,437)	(26,929)
Net cash flows from investing activities	**(14,114)**	**1,119**

28 Cash Flow Statement - Financing Activities

	2019/20 £000s	2018/19 £000s
Cash receipts of short-term and long-term borrowing	0	(28,000)
Finance leases and on balance sheet PFI contracts	580	546
Repayments of short-term and long-term borrowing	10,250	18,000
Other payments for financing activities	2,533	1,272
Net cash flows from financing activities	**13,363**	**(8,182)**

29 Agency Services

The Council 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.

	2019/20 £000s	2018/19 £000s
Expenditure incurred in providing a service on behalf of the Home Office in partnership with NWC, Bury MBC and Refugee Action	344	562
Management fee payable by the North West Consortium	(344)	(562)
Net surplus arising on the agency agreement	**0**	**0**

30 Pooled Budget with Bolton Clinical Commissioning Group

In 2019/20 Bolton Council entered into an expanded pooled budget with Bolton Clinical Commissioning Group (CCG). This wider pool encompasses both the Better Care Fund (BCF) previously pooled and much of the Council's Adult Social Care Services.

Aims and Objectives

The pool aims to allow for better integration of health and social care functions through the use of the Section 75 (S.75) agreement and the creation of a Strategic Commissioning Function (SCF) and an Integrated Care Partnership (ICP).

Governance

Joint governance arrangements have been set up and are exercised through the Joint Commissioning Committee (JCC) comprised of Council and CCG representatives.

Risk Share

The risk share was agreed to be on a 50/50 basis.

Financial Performance

The following table summarises the contributions made by Bolton Clinical Commissioning Group and Bolton Council along with the expenditure summarised by service area.

	2019/20 £000s	2019/20 £000s	2019/20 £000s
Funding Provided to the Pool			
Bolton Clinical Commissioning Group			78,129
Bolton Council			80,181
Total Funding			**158,310**
Expenditure Met from the Pooled Budget	**Bolton Council**	**CCG**	**Total**
Integrated Community Services	18,353	28,490	46,843
Learning Disabilities	24,863	964	25,827
Mental Health	9,969	8,881	18,850
Care Services	49,985	16,805	66,790
	103,170	**55,140**	**158,310**
Net Surplus/Deficit on Pool			**0**

The overspend as reported to the JCC in year was mitigated in increased contributions by each body equivalent to the 50/50 risk share.

Whilst the section 75 agreement between the parties does constitute a 'joint operation' under IFRS 11, the substance of the commissioning transactions related to the Fund's spending plan indicates that each party is acting as a single entity. Therefore, each organisation accounts for its own transactions without recognising its interest in its share of total assets, liabilities, revenue and expenditure that relate to the whole Fund.

31 Members' Allowances

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

	2019/20 £000s	2018/19 £000s
Allowances	872	871
Expenses	0	1
Total	**872**	**872**

32 Officers' Remuneration

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

	Note	Salary including Fees and Allowances	Expense Allowance	Total Remuneration Excluding Pension Contributions	Pension	2019-20 Total Remuneration Including Pension Contributions	2018-19 Total Remuneration Including Pension Contributions
		£	£	£	£	£	£
Chief Executive:							
T Oakman		180,423	0	180,423	0	180,423	202,789
Chief Executive of Bolton Care and Support Ltd		110,057	0	110,057	6,578	116,635	114,936
Director of People	1	72,808	0	72,808	14,946	87,754	0
Interim Director of People	2	48,793	0	48,793	10,118	58,911	62,204
Interim Director of People		0	0	0	0	0	148,770
Director of Place - G Brough		127,357	0	127,357	26,490	153,847	64,063
Interim Director of Place		0	0	0	0	0	112,056
Director of Public Health		106,131	0	106,131	22,075	128,206	24,665
Director of Public Health		0	0	0	0	0	32,667
Director of Public Health		0	0	0	0	0	50,816
Director of Corporate Resources (s151 Officer)		119,707	0	119,707	24,835	144,542	97,006
Borough Treasurer (s151 Officer)		0	0	0	0	0	33,890
Borough Solicitor		108,886	0	108,886	20,265	129,151	116,886
		874,162	**0**	**874,162**	**125,307**	**999,469**	**1,060,748**

Notes:

1 Appointed as Director on 29/8/19
2 Until 28/8/19

The number of Council employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) by band is as follows:

	Teachers		Other Staff	
	2019/20	2018/19	2019/20	2018/19
£50,000 - £54,999	56	58	34	31
£55,000 - £59,999	37	27	15	17
£60,000 - £64,999	30	30	6	10
£65,000 - £69,999	25	20	7	4
£70,000 - £74,999	13	11	2	2
£75,000 - £79,999	6	3	2	2
£80,000 - £84,999	2	1	2	2
£85,000 - £89,999	0	0	1	2
£90,000 - £94,999	2	2	0	1
£95,000 - £99,999	0	2	1	2
£100,000-£104,999	1	1	0	1
£105,000-£109,999	0	1	1	1
£110,000-£114,999	1	0	0	0
£115,000-£119,999	0	0	2	0
£120,000-£124,999	0	0	1	0
£125,000-£129,999	0	0	1	0
£150,000-£154,999	0	0	0	1
£155,000-£159,999	0	0	1	0
£165,000-£169,999	0	0	0	1
£175,000-£179,999	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	
	2019/20	2018/19	2019/20 £	2018/19 £
£0-£20,000	38	31	437,655	203,233
£20,001-£40,000	2	9	52,215	247,871
£40,001-£60,000	2	5	99,466	247,257
£60,001-£80,000	3	4	226,735	274,758
£80,001-£100,000	1	3	92,958	274,481
£100,000-£150,000	2	4	257,374	468,589
£200,000-£250,000	3	1	642,139	249,920
£250,000-£300,000	2	0	552,529	0
£450,000-£500,000	0	1	0	468,235
Total	**53**	**58**	**2,361,071**	**2,434,344**

33 Termination Benefits

Of the £2.4m cost of exit packages, £410,414 was made in respect of voluntary severance and redundancy payments (£454,389 in 2018/19) and £1,950,657 (£1,979,956 in 2018/19) was to cover the capitalisation costs of pensions.

34 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance and Early Years (England) Regulations 2018. 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 2019/20 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure £000s	**Individual Schools Budget £000s**	**Total £000s**
Final DSG for 2019-20 before Academy Recoupment			268,962
Academy figure recouped for 2019-20			97,964
Total DSG after Academy Recoupment for 2019-20			170,998
Brought Forward from 2018-19			55
Carry Forward to 2019-20 agreed in advance			(55)
			170,998
Agreed Budget Distribution in 2019-20	32,342	140,330	172,672
In year adjustments	18,064	(19,738)	(1,674)
Final Budget Distribution 2019-20	**50,406**	**120,592**	**170,998**
Actual Central Expenditure	55,608	0	55,608
Actual ISB deployed to Schools	0	120,592	120,592
Carryforward to 2020-21	**(5,202)**	**0**	**(5,202)**
Carryforward from 2018-19			55
Carryforward to 2020-21			**(5,147)**

The regulations make clear the requirement for any DSG deficit balance to be held within the local authority's overall DSG, meaning authorities cannot fund a deficit from the general fund without the secretary of state's approval.

The DSG deficit is a result of pressures in the high needs block due to continuing increases in the number of external placements and increased special school placements. Other factors are increases in costs and pupil numbers in alternative provision and the continuing rise in EHCP numbers.

A repayment plan has been produced and is reviewed on an ongoing basis to look at

the pressures within this area and ways to contain the overspend and begin to pay back the deficit. This is done in consultation with Schools and the Schools Forum.

35 Financing and Investment Income and Expenditure

	2019/20 £000s	2018/19 £000s
Movement on investment property	(268)	(657)
Interest Payable and Investment Expenditure	7,426	21,017
Interest and Investment Income	(16,306)	(10,679)
Pension interest cost and return on assets	11,306	9,865
Total	**2,158**	**19,546**

36 Taxation and Non-Specific Grant Income

The Council raises Council Tax, Non Domestic Rates (NDR) and receives grants from Central Government each year to support revenue expenditure which is not attributable to specific services. The Grants, NDR and Council Tax received for 2019/20 were:

	2019/20 £000s	2018/19 £000s
Council Tax	113,468	109,165
Non Domestic Rates (NDR)Top-Up	21,319	29,793
Local Retained Business Rates	94,591	87,202
Collection Fund Adjustment Account	(751)	2,474
Capital Grants	10,437	26,929
Total	**239,064**	**255,563**

37 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

	2019/20 £000s	2018/19 £000s
Credited to Services:		
PFI Special Grant	1,014	1,014
Rent Allowance Subsidy	77,660	87,659
Non-HRA Rent Rebates Subsidy	1,734	1,733
HB and Council Tax Benefit Admin Grant	1,414	1,533
Dedicated Schools Grant	170,998	169,751
Pupil Premium	10,630	11,154
New Homes Bonus	940	1,506
Other Revenue Grants, reimbursements and contributions (Government)	91,158	69,204
Other Revenue Grants, reimbursements and contributions (Non-Government)	3,782	6,381
Total	**359,330**	**349,935**

The Council 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 2019/20 are as follows:

	2019/20 £000s	2018/19 £000s
Revenue Grants Receipts in Advance		
2016/17 NNDR 3 based transactions	516	584
Egyptology Contribution	0	250
Home Office	17	26
MHCLG	859	1,045
Greater Manchester Combined Authority	605	1,043
Community Safety Grant	13	143
Other Grants	69	91
Total	**2,079**	**3,182**

38 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.

The UK Central Government exerts significant influence over local authorities by providing the statutory framework within which the Council operates and by the provision of grant funding. Details of transactions with UK Government departments are set out in Note 37 Grant Income whilst total UK Government Debtors and Creditors are disclosed in notes 18 and 22. The detail is in the table below shows transactions, both directly and indirectly, with UK Government Departments and uses Whole of Government Accounts Counterparty Identifiers as a reference:

Organisation	Income in year £	Expenditure in year £	Balance due to Bolton Council at 31.3.20 £	Balance due from Bolton Council at 31.3.20 £
UK Government Department				
Academy Schools	7,778	17,502	0	0
Arts Council	3,784	4	0	0
MHCLG	23,303	0	491	13,513
Department for Education	4,628	0	95	42
Department for Transport			151	0
Department for Work and Pensions	78,949	0	4,589	0
Greater Manchester Combined Authority	7,812	492	130	0
Education Funding Authority	193,785	0	69	0
Greater Manchester Waste and Recycling Limited	0	0	0	0
Home Office	1,175	0	438	0
HM Revenue & Customs			4,065	5,598
Other Local Authorities	5,131	8,535	0	0
Bolton Cares Ltd	811	13,990	0	0
Other Government Departments	1,912	998	656	45
Total UK Government Departments	**329,068**	**41,521**	**10,684**	**19,198**

Organisation	Income in year £	Expenditure in year £	Balance due to Bolton Council at 31.3.20 £	Balance due from Bolton Council at 31.3.20 £
NHS				
Bolton CCG	24,739	1,262	384	447
Bolton NHS Foundation Trust	342	13,140	54	162
Bridgewater Community NHS Foundation Trust			44	0
Other Health Authorities	337	837	24	255
Total NHS	**25,418**	**15,239**	**506**	**864**

Members of the Council determine Council policy. During 2019/20 Members of the Council declared an interest in the following activities:

	Total No. of Members with an Interest	Total Amount paid during 19-20	Total Amount due to 31-3-20	Total No. of Members with an Interest	Total Amount received during 19-20	Total Amount due from at 31-3-20
		£	£		£	£
Arts	2	221,049	0	1	129,492	0
Education and Leisure	7	527,782	212	3	74,065	312
Other	9	3,383,083	794	15	36,830	7,042
Other Public Bodies	6	4,782,490	11,092	8	1,511,977	6,521
Registered Social Landlord	3	1,471	0	1	3,266,616	44,627
Construction	0	0	0	2	32,354	0
Health	4	15,588,954	12,823	6	703,075	2,618
Economic Development	0	0	0	2	530,762	15,238
Social Care & Community	6	2,669,580	64	6	1,275,369	185,704
Grand Total	**37**	**27,174,408**	**24,985**	**44**	**7,560,540**	**262,062**

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

Bolton Council has representatives on the Board of the Octagon Theatre Trust and the Director of Corporate Resources represents the Council in an advisory role. The Council has one vote out of a total of twelve on voting matters. A Register of Members Interests is maintained and is available for public inspection by contacting the Members Services Officer. Details of payments to members are available on the Council's website and also by contacting the Members Services Officer.

PSP Bolton LLP and PSP Bolton (GR) LLP

Please see note 15, Financial Instruments.

Bolton Cares Ltd, Bolton Cares (A) Ltd and Bolton Cares (B) Ltd

The Council wholly owns the above companies, please see note 15, Financial Instruments

Other material related party transactions

Bolton Community Leisure Trust was established to manage several of the Council's leisure centres. In 2019/20 the Trust received grant funding from the Council of £1.360m (£1.691m in 2018/19) towards running costs of the facilities.

Related party transactions with National Health Service bodies amounted to income to the Council of £11.9m in 2019/20 (£16.2m in 2018/19). This income relates to the Pooled Budget arrangement (see note 30) and various schemes to support Social Care.

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 Other Operating Expenditure are the following amounts that are charged as levies for services not directly provided by the Council. The balances due to / from the Council are contained within Note 18 Debtors and Note 22 Creditors respectively:

	Paid as Levies by Bolton Council during 2019-20 £	**Balance due from Bolton Council at 31-3-20 £**	**Balance due to Bolton Council at 31-3-20 £**
Transport for Greater Manchester	18,929,163	0	148,573
Greater Manchester Waste Disposal Authority	16,660,000	0	3,911,000
The Environment Agency	141,345	0	0
	35,730,508	**0**	**3,911,000**

Other related parties disclosed elsewhere in the Statement of Accounts:

- Pension funds are disclosed in Notes 42 and 43
- The Council holds long term investments in companies and these are disclosed in Note 15.

39 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note:

	Note	2019/20 £000s	2018/19 £000s
Opening Capital Financing Requirement		**229,519**	**204,374**
Capital Investment			
Property, Plant and Equipment	**11**	48,714	51,566
Investment Properties	**13**	3	0
Heritage Assets	**12**	17	6
Intangible Assets	**14**	5	0
Revenue Expenditure Funded from Capital under Statute		12,117	7,684
Long Term Investment	**15**	1,870	11,278
Sources of Finance			
Capital receipts		(2,230)	(3,055)
Government grants and other contributions		(25,359)	(28,199)
Sums set aside from revenue:			
Direct revenue contributions		(6,748)	(6,730)
MRP/loans fund principal		(6,234)	(5,680)
Reduction in Long Term Liabilities		(1,747)	(1,725)
Closing Capital Financing Requirement		**249,927**	**229,519**
Explanation of movements in year			
Increase/ (Decrease) in underlying need to borrow (unsupported by government financial assistance)		20,408	25,145
Increase/decrease in Capital Financing Requirement		**20,408**	**25,145**

40 Leases

Authority as Lessee

Finance Leases

The Council has acquired an administrative building in the Directorate of Place 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 2020 £000	31 March 2019 £000
Other Land and Buildings	643	686
Vehicles, Plant, Furniture and Equipment	198	296
Total leased assets	**841**	**982**

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 2020	31 March 2019
	£000	**£000**
Finance lease liabilities (net present value of minimum lease payments):		
Current	98	93
Non-current	537	635
Finance costs payable in future years	1,883	1,934
Minimum lease payments	**2,518**	**2,662**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Not later than one year	143	143	98	93
Later than one year and not later than five years	345	460	216	314
Later than five years	2,030	2,059	321	322
Minimum lease payments	**2,518**	**2,662**	**635**	**729**

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 2018/19 contingent rents payable were £262k (2018/19 £262k). The Authority has sub-let some of a property held under a finance lease. At 31 March 2020 the minimum payments expected to be received under non-cancellable sub-leases was £0k (£0k at 31 March 2019).

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 2020 £000	31 March 2019 £000
Not later than one year	267	68
Later than one year and not later than five years	385	110
Later than five years	3,397	3,475
	4,049	**3,653**

The expenditure in the year of £339k in relation to these leases was charged to the relevant service lines (2018/19 £468k).

Authority as Lessor

Finance Leases

The Authority has leased out property at Paderborn House and at Newport St, both under finance leases with 0 and 48 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 2020	31 March 2019
	£000	£000
Finance lease debtors (npv of minimum lease payments):		
Current	0	0
Non-current	49	49
Unearned finance income	167	172
Gross investment in the lease	**216**	**221**

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 2020	31 March 2019	31 March 2020	31 March 2019
	£000s	£000s	£000s	£000s
Not later than one year	5	5	5	5
Later than one year and not later than five years	18	18	18	18
Later than five years	194	198	194	198
	217	**221**	**217**	**221**

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 2019/20 £101k contingent rents were receivable by the Authority (2018/19 £101k).

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 2020	31 March 2019
	£000	£000
Not later than one year	1,882	1,729
Later than one year and not later than five years	6,345	5,699
Later than five years	53,898	61,256
	62,125	**68,684**

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.

41 PFI and Similar Contracts

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 £1.7m increasing annually by RPI until 2028/29.

Payments

The Council 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 2020 (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 2019/20	1,092	512	325	1,929
Payable within 2 to 5 years	4,370	2,392	955	7,717
Payable within 6 to 10 years	3,823	2,631	299	6,753
Payable within 11 to 15 years	0	0	0	0
Total	**9,285**	**5,535**	**1,579**	**16,399**

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:

	2019/20 £000s	2018/19 £000s
Balance outstanding at start of year	6,017	6,470
Payments during the year	(482)	(453)
Balance outstanding at 31 March	**5,535**	**6,017**

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. This agreement has been extended by 2 years. The Council will pay grant to the Trust during that period.

42 Pension Schemes Accounted for as Defined Contribution Schemes

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

	2019/20 Apr 19 - Aug 19	2019/20 Sep 19 - Mar 20	2018/19
Percentage contributed (%)	16.48	23.68	16.48
Amount contributed (£000s)	4,066	8,556	9,888

With regards to the Teachers' Pension Scheme, there were employers' contributions of **£1,213,323** remaining payable at the year end. The contributions due to be paid in 2020/21 are estimated to be **£14,599,872.**

The scheme is a multi-employer 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. It is not possible for the Council to identify its share of the underlying financial position and performance of the scheme. For the purpose of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Council 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 43.

Public Heath staff employed by the Council are members of the NHS Pension Scheme. It provides defined benefits upon retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salary.

	2019/20	2018/19
Percentage contributed (%)	14.38	14.38
Amount contributed (£000s)	38	55

The scheme is a multi-employer defined benefit scheme. Although the scheme is unfunded, NHS uses a notional fund as the basis for calculating the employers' contribution rate to be paid. It is not possible to identify a share of the underlying liabilities in the scheme attributable to these employees. For the purpose of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the NHS scheme. These benefits are fully accrued in the pensions liability described in note 43, however no such additional benefits have been awarded in the two financial years.

43 Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment the Council makes contributions towards the costs of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that the employees earn their future entitlement.

The Council participates in three post-employment schemes:

The Teachers Pensions Scheme – see note 42.

The NHS Pension Scheme – see note 42.

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

Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The Greater Manchester Pension Scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Tameside MBC Pension Fund Management Panel. Policy is determined in accordance with the Pensions Fund Regulations. The panel is made up of Councillors mainly from Tameside and is advised by Tameside's Chief Executive, Executive Director - Governance, Resources and Pensions, outside investment experts and the Pension Fund Advisory Panel (Councillors from each of the ten local authorities in Greater Manchester, and also employee representatives from the major trade unions).

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Bolton Council's Net Pension Liability of £355.888m includes a share of the overall Greater Manchester Pension Fund investment assets as disclosed in Note 43. The Pension Fund in their financial statements for 2019/20 have disclosed a material uncertainty in accordance with VPS 3 and VPGA 10 of the RICS Red Book Global due to the impact of COVID-19, in respect of the valuation of their property investments. Consequently, less certainty and a higher degree of caution should be attached to the valuation of those assets than would normally be the case. In Note 43 the Council have disclosed that their share of the total UK property assets held by the Pension Fund is valued at £48.342m. The valuation of the Council's share of the property assets is subject to the same material valuation uncertainty as applies to the Pension Fund financial statements and as such less certainty can be applied to the valuations than would typically be the case.

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 real 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:

	2019/20 £000s	2018/19 £000s
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	50,639	43,749
Past service costs	7,395	485
Effect of Settlements	0	0
Financing and Investment Income and Expenditure		
Net interest expense	11,306	9,865
Total Post Employment Benefits Charged to the Deficit on the Provision of Services	**69,340**	**54,099**
Other Post-employment Benefit Charged to the CIES		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	183,513	(57,998)
Actuarial gains and losses arising on changes in demographic assumptions	(119,591)	0
Actuarial gains and losses arising on changes in financial assumptions	(48,969)	130,838
Other	(159,941)	12
Total Post-employment Benefits charged to CIES	**(144,988)**	**72,852**
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	69,340	54,099
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to the scheme	26,115	25,737

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	2019/20 £000s	2018/19 £000s
Present value of the defined benefit obligation	1,503,182	1,769,228
Fair Value of Plan Assets	(1,147,294)	(1,311,577)
Net liability arising from defined benefit obligation	**355,888**	**457,651**

Reconciliation of the Movements in the Fair Value of Plan Assets

	2019/20 £000s	2018/19 £000s
Opening fair value of scheme assets	1,311,577	1,230,273
Interest income	31,398	33,064
Effect of Settlements	0	0
Remeasurement gain/(loss):		
The return on the plan assets, excluding the amount included in the net interest expense	(183,513)	57,998
Contributions from employer	26,115	25,737
Contributions from employees into the scheme	7,111	7,025
Benefits paid	(45,394)	(42,520)
Closing fair value of scheme assets	**1,147,294**	**1,311,577**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2019/20 £000s	2018/19 £000s
Opening balance at 1 April	1,769,228	1,586,710
Current service costs	50,639	43,749
Effect of Settlements	0	0
Interest cost	42,704	42,929
Contributions by scheme participants	7,111	7,025
Remeasurement (gains)/losses:		
Actuarial gains/losses arising from changes in demographic assumptions	(119,591)	0
Actuarial gains/losses arising from changes in financial assumptions	(48,969)	130,838
Other	(159,941)	12
Past service cost	7,395	485
Benefits paid	(45,394)	(42,520)
Closing balance at 31 March	**1,503,182**	**1,769,228**

Local Government Pension Scheme assets comprised:

	31-Mar-20				31-Mar-19			
	Scheme assets with quoted prices in active markets	Scheme asset values NOT from quoted active markets	Total	Percentage of total assets	Scheme assets with quoted prices in active markets	Scheme asset values NOT from quoted active markets	Total	Percentage of total assets
Asset Category	£000s	£000s	£000s	%	£000s	£000s	£000s	%
Equity Securities:								
Consumer	104,158	0	104,158	9	72,443	0	72,443	6
Manufacturing	88,122	0	88,122	8	75,795	0	75,795	6
Energy & Utilities	65,970	0	65,970	6	73,705	0	73,705	6
Financial Institutions	127,511	0	127,511	11	103,799	0	103,799	8
Health & Care	51,732	0	51,732	4	38,730	0	38,730	3
Information Technology	46,018	0	46,018	4	23,416	0	23,416	2
Other	23,935	0	23,935	2	14,371	0	14,371	1
Debt Securities:								
Corporate Bonds (investment grade)	43,386	0	43,386	4	49,058	0	49,058	4
Corporate Bonds (non-investment grade)	0	0	0	0	0	0	0	0
UK Government	0	0	0	0	8,637	0	8,637	1
Other	37,003	0	37,003	3	33,266	0	33,266	3
Private Equity:								
All	0	59,232	59,232	5	0	61,425	61,425	5

	31-Mar-20				31-Mar-19			
	Scheme assets with quoted prices in active markets	Scheme asset values NOT from quoted active markets	Total	Percentage of total assets	Scheme assets with quoted prices in active markets	Scheme asset values NOT from quoted active markets	Total	Percentage of total assets
Asset Category	**£000s**	**£000s**	**£000s**	**%**	**£000s**	**£000s**	**£000s**	**%**
Real Estate:								
UK Property	0	48,342	48,342	4	0	62,296	62,296	5
Overseas Property	0	0	0	0	0	0	0	0
Investment Funds & Unit Trusts:								
Equities	115,120	0	115,120	10	296,494	0	296,494	23
Bonds	132,471	0	132,471	12	163,148	0	163,148	12
Infrastructure	0	55,661	55,661	5	0	62,880	62,880	5
Other	28,771	101,663	130,434	11	25,558	113,132	138,690	11
Derivatives:								
Other	0	0	0	0	665	0	665	0
Cash & Cash Equivalents:								
All	18,199	0	18,199	2	32,760	0	32,760	2
Totals	**882,396**	**264,898**	**1,147,294**	**100**	**1,011,845**	**299,732**	**1,311,577**	**100**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Greater Manchester Pension Scheme has been estimated 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 2016.

The principal assumptions used by the actuary have been:

	2019/20	2018/19
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	20.5	21.5
Women	23.1	24.1
Longevity at 65 for future pensioners:		
Men	22.0	23.7
Women	25.0	26.2
Rate of inflation (CPI)	1.90%	2.50%
Rate of increase in pensions	1.90%	2.50%
Rate of increase in salaries	2.70%	2.60%
Rate for discounting scheme liabilities	2.30%	2.40%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £000s	Decrease in Assumption £000s
Rate of increase in salaries (increase or decrease by 0.5%)	14,119	
Rate of increase in pensions (increase or decrease by 0.5%)	125,553	
Rate for discounting scheme liabilities (increase or decrease by 0.5%)		140,932

Impact on the Council's Cash Flows

The objectives of the scheme are to keep the employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to maintain the solvency of the fund over the next 3 years. The last valuation was completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

It is estimated that the employers' contributions to the scheme will be approximately £23,511,000 in 2020/21.

The weighted average duration of the defined benefit obligation for scheme members is 17.3 years based on the 31 March 2016 formal valuation.

The GMPF actuary has produced an estimated allowance for the McCloud judgement of £6,841,000 which is included within the accounting balance sheet at 31 March 2020 and is accounted for as a past service cost.

44 Contingent Liabilities

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 made an initial levy of 15% on known claims, and this has been paid, both Bolton's share and its share of the GMC levy. On the 1 April 2016 a second Levy Notice was issued stating that the levy should now be set at 25%, an increase of 10% from the Levy Notice issued in January 2014. 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 continue to regularly review the levy rate.

Therefore, in addition to the 25% levy which has been paid, (£1,260k for Bolton, and £165k for the GMC share), the Council has provided for a further 10% (£363k) – giving 35% in total – based on the advice of the Actuary. The remainder of the total potential liability has been included in the Insurance reserve (£3,308k 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.

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. The 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 against the Council. It is also 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.

Business Rate Appeals

From April 2013, Bolton Council became responsible for the collection and distribution of National Non Domestic Rates (NNDR). NNDR taxpayers are able to appeal against the Rateable Value (RV) of their property. 99% of the impact of any successful appeal would need to be met by the Council. A provision has been established for the impact of known appeals. Further appeals may be made but the Council is unable to quantify this potential liability or where properties are moved from the local list to the national list.

Sleep-in Back Payments

There is an ongoing national legal dispute over payment of the National Living Wage to employees for ‘sleep-ins’ in certain types of Social Care provision. The Court of Appeal ruled in 2018 that back payments were not due and the full hourly rate did not require to be paid for time sleeping. This was appealed to the Supreme Court and heard in February 2020. We await the Supreme Court ruling.

While Bolton Council does not believe it has any direct liability the impact upon the Social Care market may have an impact for the Council. Bolton Council has been paying providers the full National Living Wage amount for sleep-ins since April 2016.

Calculating liabilities for each external provider would require detailed salary information of individual staff members within private companies. These would then need to be compared with relevant living wage rates in the period. HMRC have already announced they will not apply penalties to providers for underpayments prior to 26th July 2017.

45 External Audit Costs

The Council 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 Council’s external auditors:

	2019/20 £000s	2018/19 £000s
Fees payable with regard to external audit services carried out by the appointed auditor for the year – Mazars	94	93
Fees payable for the certification of grant claims and returns for the year – KPMG	7	17
Fees payable in respect of other services provided during the year – KPMG	0	2
Total	**101**	**112**

46 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 2019	Income	Expenditure	Balance at 31 March 2020	Represented by: Cash / Other Balances	External Investments	Total
	£	£	£	£	£	£	£
Environmental Services							
Red Lion Playing Field Trust	2,158	0	0	2,158	1,214	944	2,158
Topps Trust Fund	1,647	0	0	1,647	1,647	0	1,647
Adult Services							
Workshops & Homes for the Elderly	47,176	0	47,176	0	0	0	0
Children's Services							
Leigh Bramwell	93,641	3,478	0	97,120	19,274	77,846	97,120
Westhoughton Education Trust	39,125	1,095	625	39,594	15,228	24,366	39,594
Total	**183,747**	**4,573**	**47,801**	**140,519**	**37,363**	**103,156**	**140,519**

Group Accounts

The Council has prepared the following Group Accounts due to its ownership of Bolton Cares Ltd and its link with PSP Bolton. Details of PSP Bolton are set out in note 15 as the value of the investment has increased and is more significant and PSP has been included in this year's group accounts.

Comprehensive Income and Expenditure Statement

31 March 2019					31 March 2020		
£000s	£000s	£000s			£000s	£000s	£000s
Expenditure	Income	Net		Note	Expenditure	Income	Net
133,872	41,046	92,826	Adult Services and Public Health		143,536	47,407	96,129
299,051	222,058	76,993	Children's Services		323,033	230,101	92,932
127,824	114,519	13,305	Leader		119,197	103,705	15,492
33,811	11,116	22,695	Deputy Leader		43,573	12,950	30,623
2,613	1,384	1,229	Strategic Planning and Housing		3,068	1,378	1,690
4,404	(1,793)	6,197	Environment Regulatory		4,720	4,477	243
53\,911	34,258	19,653	Environment Delivery		55,741	32,104	23,637
26,378	13,910	12,468	Highways and Transport		27,359	11,758	15,601
2,589	(69)	2,658	Stronger Communities		2,872	469	2,403
(2,246)	6,576	(8,822)	Financial Services		9,344	13,406	(4,062)
682,207	**443,005**	**239,202**	**Cost of Services**		**732,443**	**457,755**	**274,688**
			Other operating expenditure				
		33,602	Loss on disposal of property plant & equipment				13,323
		0	Disposal of Academy assets				0
		(2,545)	Right to Buy Receipts				(2,142)
		39,800	Levies				35,731
		392	Parish Precepts				402
		71,249	**Total Operating Expenditure**				**47,314**

31 March 2019					31 March 2020		
£000s	£000s	£000s			£000s	£000s	£000s
Expenditure	Income	Net		Note	Expenditure	Income	Net
		19,694	Financing & investment income and expenditure				2,272
		(255,563)	Taxation & non-specific grant income	36			(239,064)
		74,582	**Deficit/(surplus) for year**				**85,210**
		(1,460)	Share of the surplus/deficit on the provision of services by joint ventures				(216)
		73,122	**Group surplus/deficit**				**84,994**
		(14,309)	Surplus/deficit on revaluation of Property, Plant and Equipment				(10,136)
		(775)	Surplus/deficit on Financial Instruments held at Fair Value through Other Comprehensive Income				22,675
		74,090	Actuarial gains/losses on pensions	43			(143,668)
		59,006	**Other comprehensive Income**				**(131,129)**
		132,128	**Total Comprehensive Income and Expenditure**				**(46,135)**

Movement in Reserves Statement

Summary MIRS restated	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Council Share of Group Reserves	Total Group reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance 1 April 2018	**10,660**	**115,237**	**13,347**	**37,597**	**176,841**	**190,163**	**4,955**	**371,959**
Adjustment to Opening Balance	0	0	0	0	0	217	0	217
Total Comprehensive Income and Expenditure	(73,123)	0	0	0	(73,123)	(59,006)	0	(132,129)
Adjustments from income & expenditure charge under the accounting basis to the funding basis	57,557	0	594	4,074	62,225	(62,252)	0	(27)
Increase or (Decrease) in 2018/19	(15,566)	0	594	4,074	(10,898)	(121,258)	0	(132,156)
Transfers to/from earmarked reserves	15,566	(17,020)	3	0	(1,451)	(3)	1,454	0
Balance at 31 March 2019 carried forward	**10,660**	**98,217**	**13,944**	**41,671**	**164,492**	**69,119**	**6,409**	**240,020**

Summary MIRS	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Council Share of Group Reserves	Total Group reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance 1 April 2019	**10,660**	**98,217**	**13,944**	**41,671**	**164,492**	**69,119**	**6,409**	**240,020**
Adjustment to Opening Balance	0	0	0	0	0	2,341	(122)	2,219
Total Comprehensive Income and Expenditure	(84,994)				(84,994)	131,132		46,138
Adjustments from income & expenditure charge under the accounting basis to the funding basis	72,084	0	47	(12,319)	59,812	(59,871)	59	0
Increase or (Decrease) in 2018/19	(12,910)	0	47	(12,319)	(25,182)	71,261	59	46,138
Transfers to/from earmarked reserves	12,910	(12,978)	3	25	(40)	(3)	(4,209)	(4,252)
Balance at 31 March 2020 carried forward	**10,660**	**85,239**	**13,994**	**29,377**	**139,270**	**142,718**	**2,137**	**284,125**

Balance Sheet

31 March 2019 £000s		Note	31 March 2020 £000s
	Property, Plant & Equipment		
426,731	- Other land and buildings	**11**	435,249
10,675	- Vehicles, plant, furniture & equipment	**11**	7,273
135,320	- Infrastructure	**11**	136,135
10,218	- Community assets	**11**	10,218
3,267	- Assets under construction	**11**	9,699
1,139	- Surplus assets	**11**	717
587,350			**599,291**
69,131	Heritage assets	**12**	69,131
35,473	Investment property	**13**	35,672
194	Intangible assets	**14**	55
6,617	Investments in Joint Venture		2,550
53,227	Long Term Investments	**15**	32,414
29,767	Long Term Debtors	**15**	29,739
781,759	**Long Term Assets**		**768,852**
122,608	Short Term Investments	**15**	70,321
654	Inventories	**17**	652
45,492	Short Term Debtors	**18**	39,151
3,325	Prepayments		5,738
20,200	Cash and Cash Equivalents	**20**	36,028
192,279	**Current Assets**		**151,890**
(11,833)	Short Term Borrowing	**15**	(1,818)
(46,679)	Short Term Creditors	**22**	(62,539)
(4,429)	Provisions for current liabilities	**23**	(3,459)
(3,182)	Revenue Grants in Advance	**37**	(2,079)
(66,123)	**Current Liabilities**		**(69,895)**
(13,770)	Provisions for long term liabilities	**23**	(18,412)
(178,857)	Long Term Borrowing	**15**	(178,589)
(10,656)	Other Long Term Liabilities	**15**	(7,543)
(464,612)	Net Pensions Liability	**43**	(362,178)
(667,895)	**Long Term Liabilities**		**(566,722)**
240,020	**Net Assets**		**284,125**

31 March 2019 £000s		Note	31 March 2020 £000s
	Represented by:		
	Usable Reserves		
10,660	- General Fund Balance	**9**	10,660
7,525	- Earmarked Statutory Reserves	**9**	6,876
6,409	- Group reserves		2,550
90,692	- Earmarked Policy Reserves	**9**	77,950
13,944	- Capital Receipts Reserve		13,994
41,671	- Capital Grants Received in Advance		29,377
170,901			**141,407**
	Unusable Reserves	**10**	
228,685	- Revaluation Reserve		231,421
42,974	- Financial Instruments Revaluation Reserve		20,300
(12,726)	- Financial Instruments Adjustment Account		(12,423)
(457,651)	- Pensions Reserve		(360,466)
(5,599)	- Subsidiary pension reserve		0
10,517	- Deferred capital receipts		10,517
264,457	- Capital Adjustment Account		255,219
2,520	- Collection Fund Adjustment Account		1,877
(4,058)	- Short-term Accumulating Compensated Absences Account		(3,727)
69,119			**142,718**
240,020	**Total Reserves**		**284,125**

Cash Flow Statement

31 March 2019 £000s		Note	31 March 2020 £000s
73,123	Net (surplus) or deficit on the provision of services		84,994
(83,603)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	**24**	(112,820)
30,452	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	**25**	12,715
19,972	**Net cash flows from Operating Activities**	**26**	**(15,111)**
1,120	Investing Activities	**27**	(14,081)
(8,182)	Financing Activities	**28**	13,364
12,910	**Net (increase) or decrease in cash and cash equivalents**		**(15,828)**
33,110	Cash and cash equivalents at the beginning of the reporting period		20,200
(12,910)	(Decrease) or Increase in cash as above		15,828
20,200	**Cash and cash equivalents at the end of the reporting period**	**20**	**36,028**

Group Accounting Policies

The Accounting Policies of Bolton Cares Ltd have been aligned with the Council's Accounting Policies contained in Note 1. Any statutory adjustments between accounting basis and funding basis included in the Council's Accounting Policies do not apply to the company.

Notes within the group accounts have not been provided except for Defined Benefit Pensions as there are no material differences except for those provided in Note 43.

Pension Scheme – Group Summary

Transactions Relating to Retirement Benefits

	2019/20 £000s	2018/19 £000s
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	51,081	44,153
Past service costs	7,395	485
Effect of Settlements	0	0
Financing and Investment Income and Expenditure		
Net interest expense	11,420	10,013
Total Post-Employment Benefits Charged to the Deficit on the Provision of Services	**69,896**	**54,651**
Other Post-employment Benefit Charged to the CIES		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	188,118	(58,878)
Actuarial gains and losses arising on changes in demographic assumptions	(120,808)	0
Actuarial gains and losses arising on changes in financial assumptions	(49,779)	132,956
Other	(161,199)	12
Total remeasurements recognised in Other Comprehensive Income (OCI)	**(143,668)**	**74,090**
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	69,896	54,651
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to the scheme	26,328	25,954

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme	
	2019/20 £000s	2018/19 £000s
Present value of the defined benefit obligation	1,524,861	1,796,311
Fair Value of Plan Assets	(1,162,683)	(1,331,699)
Net liability arising from defined benefit obligation	**362,178**	**464,612**

Reconciliation of the Movements in the Fair Value of Plan Assets

	Local Government Pension Scheme	
	2019/20 £000s	2018/19 £000s
Opening fair value of scheme assets	1,331,699	1,248,513
late actuarial adjustment	(358)	217
Interest income	31,870	33,566
Effect of Settlements	0	0
Remeasurement gain/(loss):	0	0
The return on the plan assets, excluding the amount included in the net interest expense	(188,118)	58,878
Contributions from employer	26,328	25,954
Contributions from employees into the scheme	7,177	7,091
Benefits paid	(45,915)	(42,520)
Closing fair value of scheme assets	**1,162,683**	**1,331,699**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Funded Liabilities: Local Government Pension Scheme	
	2019/20 £000s	2018/19 £000s
Opening balance at 1 April	1,796,311	1,610,555
late actuarial adjustment	(2,692)	0
Current service costs	51,081	44,153
Effect of Settlements	0	0
Interest cost	43,290	43,579
Contributions by scheme participants	7,177	7,091
Remeasurement (gains)/losses:		
Actuarial gains/losses arising from changes in demographic assumptions	(120,808)	0
Actuarial gains/losses arising from changes in financial assumptions	(49,779)	132,956
Other	(161,199)	12
Past service cost	7,395	485
Benefits paid	(45,915)	(42,520)
Closing balance at 31 March	**1,524,861**	**1,796,311**

Pension Scheme Assets

Asset Category	31-Mar-20 £000s	31-Mar-19 £000s
Equity Securities:	514,252	408,429
Debt Securities:	81,467	92,357
Private Equity:	60,027	62,367
Real Estate:	48,990	63,252
Investment Funds & Unit Trusts:	439,504	671,356
Derivatives:		
Other	0	675
Cash & Cash Equivalents:	18,443	33,263
Totals	**1,162,683**	**1,331,699**

Basis for estimating assets and liabilities

The principal assumptions used for Bolton Cares Limited by the actuary have been:

	2019/20	2018/19
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	20.5	21.5
Women	23.1	24.1
Longevity at 65 for future pensioners:		
Men	22.0	23.7
Women	25.0	26.2
Rate of inflation (CPI)	1.90%	2.50%
Rate of increase in pensions	1.90%	2.50%
Rate of increase in salaries	2.70%	3.30%
Rate for discounting scheme liabilities	2.30%	2.40%

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £000s	Decrease in Assumption £000s
Rate of increase in salaries (increase or decrease by 0.5%)	14,299	
Rate of increase in pensions (increase or decrease by 0.5%)	127,383	
Rate for discounting scheme liabilities (increase or decrease by 0.5%)		142,958

Collection Fund

This account reflects statutory requirements for billing authorities to maintain a separate collection fund to account for the income from Council tax and business rates. This income finances payment of business rates to the national pool and the net expenditure requirements of the Council and pay precepts to the Police and Fire and Rescue Authorities.

Income and Expenditure Account

Council Tax 2018/19	NNDR 2018/19	Total 2018/19		Council Tax 2019/20	NNDR 2019/20	Total 2019/20
£000s	£000s	£000s		£000s	£000s	£000s
			Income			
130,161	0	130,161	Council Tax	136,295	0	136,295
0	88,737	88,737	Business Rates	0	90,331	90,331
130,161	**88,737**	**218,898**		**136,295**	**90,331**	**226,626**
			Expenditure			
			Distribution of Previous Year's surplus/(deficit)			
656	(1,571)	(915)	Bolton Council	858	2,276	3,134
0	0	0	Greater Manchester Police	0	0	0
0	(21)	(21)	Greater Manchester Fire	0	23	23
77	0	77	Mayoral Police and Crime Commissioner Precept	102	0	102
28	0	28	Mayoral General Precept (including Fire Services)	40	0	40
0	(463)	(463)	Central Government	0	0	0
			Precepts and Demands:			
109,165	78,576	187,741	Bolton Council	112,611	79,273	191,884
0	0	0	Greater Manchester Police	0	0	0
0	0	0	Greater Manchester Fire	0	0	0
13,041	0	13,041	Mayoral Police and Crime Commissioner Precept	14,969	0	14,969
5,084	794	5,878	Mayoral General Precept (including Fire Services)	5,809	801	6,610
0	3,452	3,452	Transitional Relief	0	2,403	2,403
0	393	393	Business Rates: Cost of Collection Allowance	0	400	400
0	2,568	2,568	Appeals: Provision and Write Offs	0	3,730	3,730
2,274	2,536	4,810	Bad and Doubtful Debts: Provision and Write Offs	2,266	1,889	4,155
130,325	**86,264**	**216,589**		**136,655**	**90,795**	**227,450**
(164)	2,473	2,309	Surplus/(Deficit) for the Year	(360)	(464)	(824)
973	(602)	371	Surplus/(Deficit) at Beginning of Year **	809	1,871	2,680
809	**1,871**	**2,680**	**Surplus/(Deficit) at End of Year**	**449**	**1,407**	**1,856**

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 Council, Greater Manchester Combined Authority (GMCA) incorporating the Mayoral Police and Crime Commissioner precept and the Mayoral General (previously Fire) precept, and the retained share of the Non Domestic Rates.

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 Mayoral requirements) by the tax base. 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 2019/20 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	105	5/9	58	0.1
Band A	Up to £40,000	40,855	6/9	27,237	35.4
Band B	£40,000 to £52,000	17,425	7/9	13,553	17.6
Band C	£52,001 to £68,000	15,961	8/9	14,188	18.4
Band D	£68,001 to £88,000	9,477	1	9,477	12.3
Band E	£88,001 to £120,000	5,070	11/9	6,197	8.0
Band F	£120,001 to £160,000	2,110	13/9	3,048	4.0
Band G	£160,001 to £320,000	1,715	15/9	2,858	3.7
Band H	More than £320,000	206	18/9	412	0.5
Total		92,924		77,028	100.0

Estimated collection rate	98%
Council Tax base for tax setting 2019/20	75,487

* for new/demolished property, exemptions, disablement relief, appeals and discounts (including those granted under the Council Tax Support Scheme)

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

From 1 April 2013 National Non-Domestic Rates are organised on a local basis. However, the Government specifies the amount (50.4p in 2019/20, compared to 49.3p in 2018/19) and local businesses pay rates calculated by multiplying their rateable values by that amount. The Council is responsible for collecting rates due from ratepayers in its area. Commencing 1 April 2017 Bolton Council formed part of the Greater Manchester 100% Business Rates Pilot and was allowed to retain 99% of the net rates payable, with 1% payable to GMCA for the Mayoral precept. Under this pilot RSG and Public Health Grant were removed as sources of funding – the underlying principal being that the scheme should be fiscally neutral to the Council. However, under the pilot the Council has 100% responsibility for both the rewards of extra growth and the risks of non-collection.

The NNDR rateable value for the Council's area at 31 March 2020 was £235,421,251 compared to £230,839,136 at 31 March 2019.

The Gross NNDR debit for the year was £116,576,563 (£114,173,529 after adjustments relating to transitional reliefs and appeals). After adjusting for mandatory and discretionary reliefs the net debit was £90,331,149.

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 (the Director of Corporate Resources) has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Director of Corporate Resources responsibilities

The Director of Corporate Resources 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 ('the Code').

In preparing this Statement of Accounts, the Director of Corporate Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error,

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2020 and of its income and expenditure for the year then ended.

Sue Johnson
Deputy Chief Executives
13 October 2020

Annual Governance Statement

1. Introduction

1.1. This statement provides an overview of how the Council's governance arrangements operate, including how they are reviewed annually to ensure they remain effective. A brief summary of significant governance challenges which the Council faces is also given, alongside an explanation of what actions have been taken to bring about required improvements, and what work is still to be done. This provides transparency, and gives assurance that the Council is committed to continuously improve the way in which it functions.

1.2. The Council operates in a complex and constantly changing financial, policy and legislative environment; and the role, responsibilities and funding models of local government continue to evolve in response to national, sub regional and local developments. Priorities are informed by this context and are set out in the Bolton 2030 strategy, Vision and Corporate Plan which is based on a programme of continuous engagement of staff, residents and stakeholders across the Borough. Arrangements for the achievement of priorities are set out in corporate and departmental plans and budgets that cascade into service, team and individual plans, targets and performance measures.

1.3. During 2019/20 there have been a number of major developments that have required governance arrangements to be assessed and further developed. The Town Centre Regeneration Plan has progressed during the year with the further development of schemes to support the coordinated renewal of Bolton Town centre and regeneration of four designated district centres. Health and social care integration with NHS partners has remained an area of focus with continued alignment and, where appropriate, integration of commissioning priorities and arrangements for the delivery of services. These have been further developed at speed in response to the challenges presented by Covid19.

1.4. Covid19 (Coronavirus) presented a major issue for the Council at the end of 2019/20. Whilst this was obviously not relevant for much of the year this Statement does reflect on the key challenges presented to the Council in responding to the pandemic; both now and in the future. To meet statutory duties and discharge its leadership role for the Borough the Council has utilised plans, functions and powers; and developed new and amended ways of working within services and with a wide range of crucial partners to support public health, economic and wellbeing priorities across the Borough. The impact of the pandemic on the Council has been unprecedented in terms of both the immediate crisis response but also in terms of financial commitments, critical impacts and future challenges.

1.5. These issues and changes present both opportunities and challenges. Therefore the Council must ensure it has strong, transparent leadership, governance and decision making arrangements; robust financial planning, management and control; and a strong programme of prioritisation, business planning, development and improvement work so that it can maintain services for residents which are efficient, effective and value for money using available resources. This document explains the governance mechanisms in place to ensure appropriate oversight of this work.

2. Scope of Responsibility

2.1. Bolton Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The 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.

2.2. In discharging these responsibilities, the Council must put in place proper arrangements for the governance of its affairs and effective exercise of its functions, which includes arrangements for the management of risk. The Council's Constitution sets out how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose.

2.3. The Code of Corporate Governance and the Council's Constitution are reviewed annually to ensure they remain consistent with the principles of the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives and Senior Managers (CIPFA/SOLACE) joint framework for delivering good governance in local government. CIPFA issued a 2016 update to the Framework, which is applicable for the preparation of the Annual Governance Statement (AGS) and on which the revised Code is based.

2.4. This AGS explains how the Council has complied with the Code of Corporate Governance. The AGS also meets the requirements of the Accounts and Audit (England) Regulations 2015 regulation 6(1) which requires all relevant bodies to prepare an Annual Governance Statement (AGS).

3. The Purpose of the Governance Framework

3.1. 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.

3.2. 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.

4. The Governance Framework:

4.1. The governance framework has been in place at Bolton Council for the year ended 31 March 2020 and up to the date of approval of the statement of accounts. Key elements of the framework are:

Planning and Performance	A strategic planning system which identifies priorities and key aims. These are set out in the Borough's Community Strategy: "Bolton: 2030" 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. This vision is supported by economic, regeneration and other development plans.
	The delivery of key aims is addressed through the Corporate Business Planning Process and Corporate Plan. Directorate Plans for 2019-21 are in place and provide a golden thread from Strategy through directorate and service business planning and team and individual objectives.
	Directorate and service plans set out how each division will deliver the appropriate strategy outcomes, savings targets, and other divisional priorities.
	Performance management process which identifies targets against agreed priorities, monitors and reports performance and, where necessary implements improvement actions. Performance reports are reviewed by Departmental and Corporate Leadership Teams and provided to Executive Cabinet Members each quarter to update on key issues including those arising from the monitoring of performance and risks.
	Strategic budget process, which includes the delivery of the Council's savings and efficiency programme. This is shaped by the priorities set out in Bolton 2030.
	Framework of policy plans (some statutory, some local) which are reviewed periodically and assist policy formulation.

	Protocols in place to manage partnership arrangements.
Legal	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 Cabinet Member reporting, Member scrutiny, external inspection and audit, performance management and benchmarking, management oversight, internal audit and physical and procedural controls. Legal compliance is overseen by the Borough Solicitor (Statutory Officer) supported by in house in house legal and democratic services teams, with authority to secure additional, external legal expertise for advice and support on complex matters.
Risk	Process of Risk Management including review of strategic risks, an assessment of the likelihood and potential impact of risks and registers which record responsibility for managing risk and the action taken.
	The appointment of Senior Information Risk Owner (SIRO), Information Governance Steering Committee and production of wide-ranging guidance on information governance, risk and security.
People	Officer and Member Codes of Conduct guide and direct behaviours and standards expected of staff and Councillors
	Staff engagement and development through process of staff feedback surveys, personal development reviews and programme of learning and development activity across services. Conduct and behaviours for staff are set out in a behaviours framework that clearly articulates the expectations of all those who work for, or with, the Council. This framework also informs individual development through Insight Exchange - a structured approach to strengths-based conversations, performance management and personal learning and development. Engagement includes a comprehensive range of staff briefings, engagement events and senior officer leadership sessions. These are supported by regular Chief Executive communications and information cascade through email, team talks and use of the intranet / sharepoint.
	Development of a training programme for Member development (see development area below)

Finance	Financial management arrangements comply with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010).
	The financial management of the authority is structured through Financial Regulations and financial Standing Orders, which are subject to regular review and approval, supported by a framework of regular management information, administrative procedures, management supervision and a system of delegation and accountability.
	Value for Money is promoted across the organisation through the Council's corporate planning and budget setting process; commissioning and procurement processes; and performance management arrangements.
	Internal and External Audit provide independent assessment of the financial management and financial reporting of the Authority
Leadership	Political leadership is derived from a Cabinet of 130 Councillors. The Cabinet is made up of eight 'Executive Cabinet Members', the Leader and Deputy Leader
	Officer Leadership is provided through the Council's Corporate Leadership Team, comprising Chief Officers including the statutory Monitoring Officer and Director of Corporate Resources as the S151 (Finance) Officer
Review and Oversight	Audit Committee has responsibility for receiving and providing assurance on arrangements for managing risk, maintaining an effective governance framework and control environment and statutory financial reporting.
	Scrutiny Committees challenge policies and budget allocations, challenge decisions made by portfolio holders, monitor and challenge performance and make recommendations to the Cabinet/Executive Cabinet Members
	There is a process for receiving and reviewing complaints, employee grievances and allegations of wrongdoing through whistleblowing and counter fraud policies and procedures
	HR, Internal Audit and Legal Services liaise on key investigations to ensure good practice is shared, sanctions are consistent, and lessons are learned.
	There is a process for local assessment of allegations of failure to comply with the Code of Conduct for Members.

5. Review of Effectiveness

5.1. 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 senior officers across the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit and Risk's Management's annual opinion and by comments made by the external auditor and other review agencies and inspectorates.

5.2. The review of governance arrangements is defined in the Council's Assurance Framework as set out below which illustrates the individual elements of assurance.

5.3. Elements of the review are shown below:

Component of Governance	Evidence Source
Performance Management	Executive Cabinet Member reports Scrutiny Committee reports
Internal Audit	Internal Audit reports and Head of Internal Audit and Risk Management opinion 2019/20 * Review of Internal Audit Service and service assessment of compliance with PSIAS * (*Planned for Audit Committee July 2020)
External Audit	Reports to Those Charged with Governance Annual Accounts Opinion Value for Money Opinion Other External Audit Reports
Management	Internal Audits Directorate Business Plans Directorate Performance Reports Reports to CLT and Cabinet Members Directorate and Service Risk Registers
Risk Management	Internal Audit reports and Head of Internal Audit and Risk Management opinion 2019/20 Corporate Risk Register and Directorate Risk Registers Corporate and service business continuity plans Project and programme risk registers

	Key risk reporting – safeguarding, compliance, health and safety etc by lead officers across the Council.
Legal and Regulatory Assurance	Monitoring Officer and Legal Services reports Legal Services review and commentary on decision reports
Financial Control	Annual Financial Statements External Audit of the Annual Accounts Compliance with CIPFA Role of the Chief Financial Officer Management assurances over core financial systems Internal Audits of core financial systems
Members	Review of Constitution Workplans and reports to Cabinet and Cabinet Members Workplans and reports to Scrutiny Committees Audit Committee workplan and reports
Other	On-going assessment against the CIPFA/SOLACE framework; Delivering Good Governance in Local Government Framework. Feedback from external inspectors and agencies. Feedback from Peer Reviews

6. Significant Governance Issues and Development Plan

6.1. The Council has continued to maintain good practice during 2019/20. The review process has not identified any significant governance issues necessary to highlight in this statement but there are challenges and opportunities that have been highlighted during the response to Covid19 that will be assessed further as part of lessons learned and recovery planning that may impact on future governance arrangements. These lessons learned are not a result of failures in governance but the crisis presents a broader opportunity to consider how the future Council may operate differently to achieve agreed priorities for the Borough and the best possible outcomes for Bolton residents.

6.2. Whilst there have not been significant governance issues, this does not mean that the Council does not face challenges and must continue to focus on proactively responding to significant change arising from Covid19, demographic change, new legislation and the requirement to deliver substantial budget savings.

6.3. Progress to date and areas of further focus in developing our governance arrangements during 2020/21 will include:

Areas of Focus	**Update and Any Further Actions**
From 2019/20 Deliver the actions agreed in response to the LGA Peer Review in 2018.	**Complete**: Action plan is being delivered with oversight from Leader and Chief Executive / Corporate Leadership Team.
From 2019/20 Strengthening the rigour and transparency of corporate governance arrangements including the following: Developing a revised Code of Governance in response to CIPFA / SOLACE Delivering Good Governance in Local Government: Framework (2016).	**Complete**: Code refresh completed led by Borough Solicitor. To be subject to annual review and refresh as required.
Strengthening the rigour and transparency of corporate and strategic risk reporting. This will include the refresh of the corporate risk reporting process and corporate business continuity plan	**Part Complete**: Head of Audit and Risk Management has overseen refresh of service business continuity plans and Corporate Business Continuity Plan. Risk management has been refreshed but ackendlged further work to embed as business as usual with oversight by Director of Corporate Resources and Chief Executive. Action for 2020/21 to embed risk reporting and review business continuity planning based on lessons learned from Covid19 (see below).
From 2019/20	

Areas of Focus	Update and Any Further Actions
Maintaining transparency through publication of information in accordance with the Transparency Code, Freedom of Information Act, Data Protection Act and General Data Protection Regulations (GDPR). Refreshing the Council's anti-fraud strategy and associated training and awareness for staff and stakeholders.	**Complete*:*** Borough Solicitor leads Information Governance Steering Group and this is not part of business as usual governance arrangements. **Part Complete:** Revision of strategy, policies, procedures including new Counter Fraud Strategy agreed. Some staff awareness and training completed but organisational wide awareness arrangements delayed due to Covid19. Programme of corporate, departmental and service communications and awareness to be developed by Head of Audit and Risk Management 2020/21
From 2019/20 Actively exploiting opportunities arising from health devolution and our role in AGMA and the GM Combined Authority	**Complete**: Leader and Chief Executive continue to lead Council response in these areas with support from Cabinet Members and Corporate Leadership Team. Also reflected in Corporate Plan and Directors' Business Plans.
From 2019/20 Delivering required savings through well governed innovation and collaboration with private and public sector partners, including Bolton at Home and Bolton Cares.	*Director of Corporate Resources* to continue oversight of savings delivery as part of budget monitoring and reporting processes. *Leader and Chief Executive* to lead Council response in these areas with key roles in innovation and collaboration support from Cabinet Members and Corporate Leadership Team. **Part Complete:** Arrangements for 2020/21 and medium-term financial planning will be required to inform revised budget planning based on impacts of Covid19 and are being led by Director of Corporate Resources

Areas of Focus	Update and Any Further Actions
	with Corporate Leadership Team and Cabinet.
From 2019/20 Enabling effective service delivery and engagement with residents, service users and customers through the effective use of robust, secure and resilient ICT systems.	*Director of Corporate Resources* and ICT Client team to continue to work with Corporate Leadership Team to ensure effective and efficient development and delivery of information and technology systems. **Part Complete:** Arrangements for 2020/21 and beyond will be informed by lessons learned from Covid19 including opportunities to exploit technology to support efficiency and cost reduction; the safe delivery of virtual services; and the equipping of the workforce to sustain remote and home working.
New for 2020/21 The response to Covid19 has tested the effectiveness of governance arrangements and the ability of the Council to respond to the issues and implications of the pandemic. There are no specific areas where governance has proven ineffective but as with any major crisis there will be impacts, issues and opportunities resulting from Covid19 that can be used to inform future priorities, organisational arrangements, resource planning and ways of working.	Leader and Chief Executive to oversee organisational response to learning from Covid19 including: • crisis response and minimisation of ongoing risks to public health; • lessons learned from the crisis including review of emergency, civil contingency and business continuity planning processes; • economic and borough wide resilience recovery planning; • financial planning and assessment of future resource requirements; • use of technology to support democratic and decision making processes, delivery of services and engagement with residents, partners and workforce; • staff wellbeing and safety; and • engagement with key partners including health and social care system, voluntary and community sector and GM level partnerships.
Member development - training has been developed but more formalisation is required as this was uninterrupted due to staff	Borough Solicitor to progress formalisation of Member development arrangements in consultation with

Areas of Focus	Update and Any Further Actions
absences and impact of Covid19. This will be revisited in 2020/21	Leader and Cabinet. Likely to be late 2020/21 due to competing priorities.

6.4. The governance processes however are considered to be effective to enable a robust response to these challenges, manage risks and capitalise on opportunities for further governance and organisational improvement.

Signed:
Leader of the Council

Signed:
Chief Executive

Independent auditor's report to the members of Bolton Metropolitan Borough Council

To follow

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 Council 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
These are appointed by the Public Sector Audit Appointments Ltd 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(S)
Comprehensive Income & Expenditure (Statement).

CODE
2019/20 Code of Practice on Local Authority Accounting.

COLLECTION FUND
A statutory account maintained by the Council 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 Council.

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 amortised 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.

LATC
Local Authority Trading Company created to deliver certain Adult Social Care Services collectively known as Bolton Cares

MIRS
Movement in Reserves Statement.

NATIONAL NON-DOMESTIC RATES (NNDR)
National 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. Of the net rates payable, less deductions, 1% is paid to the Fire Authority and 99% is retained by the Council.

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. 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 2019/20.

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.