



Statement of Accounts 2005 -2006

FOREWORD by the DIRECTOR OF FINANCE & I.T.

Introduction

The Statement of Accounts is published to present fairly the financial position and transactions of the Council. These accounts set out the financial results of the Council activities for the year ended 31st March 2006 and have been prepared in accordance with the requirements of the Accounting Codes of Practice published by the Chartered Institute of Public Finance (CIPFA).

The purpose of the foreword is to offer interested parties an easily understandable guide to the most significant matters reported in the accounts. Inevitably it contains technical language and a glossary to help explain some of the terms can be found at the back of the publication.

The Authority's accounts for the year 2005/06 are set out on pages 2 to 69 and in addition to this foreword they consist of:

- The Statement of Accounting Policies which explains the basis for the recognition, measurement and disclosure of transactions in the accounts.
- The Statement of Responsibilities for the Statement of Accounts which sets out the responsibilities of the Council and the Director of Finance for the accounts.
- The Consolidated Revenue Account which summarises the Council's day to day revenue income and expenditure on all services during the financial year 2005/06.
- The Consolidated Balance Sheet which sets out the overall financial position of the Council at 31 March 2006.
- The Statement of Total Movements in Reserves which brings together all the recognised gains and losses of the Council.
- The Cash Flow Statement which summarises the total movement of cash and cash equivalents.
- The Statutory Housing Revenue Account which separately summarises the transactions relating to the Council's housing stock.
- The Collection Fund Income and Expenditure Account which separately summarises the transactions in relation to Non-domestic Rates and Council Tax.
- The Group Financial Statements which comprise the consolidated accounts of the Council and its interests in subsidiaries and associate companies.
- The Statement on Internal Control which reviews the effectiveness of the Council's system of internal control.

Revenue Expenditure in 2005/06

An overall comparison of the actual position for 2005/06 compared with the budgeted figures for the financial year is set out below.

	Original Estimate £'000	Actual £'000	Variations £'000
Net Position on Services	342,596	334,640	-7,956
Passenger Transport Levy	14,309	14,309	0
Receipts from Council Tax, Business Rate and Rate Support Grant	-356,905	-356,915	-10
Total Surplus(-)/Deficit for the year	0	-7,966	-7,966

Statement of Accounts 2005 -2006

The improvement of £7.966m contains a number of ring-fenced areas of budget activity. Two specific areas in the Original Estimate relating to the IT Investment Account and Benefits Administration totalling £1.2m were targeted for carry forward into 2006/07 when the Original Estimates were reviewed in January 2006. Further underspends of £1.546m relating to programme areas such as the Brighter Borough Initiatives and specific IT projects will be carried into 2006/07.

The expected conclusion of negotiations on the Waste Disposal contract has resulted in a provision of £1.1m being written back to balances during 2005/06. This has helped fund the expansion of green waste collection agreed in the 2006/07 budget.

The remaining £4.120m is spread across a large range of budget areas. It is a mixture of improved income collection rates, additional grant and savings in employee and running expenses demonstrating commitment to the efficiency agenda, continuous improvement and value for money. The savings provide opportunities to revisit some of the risks and pressures facing the Council, particularly on equal pay and some of our challenging major projects.

The following tables summarise the Council's income and expenditure.

Where the Money comes from:

	£'000	%
Grants	338,727	49.9
Council Tax	97,017	14.3
Non Domestic Rates	101,254	14.9
Rents	65,278	9.6
Fees & Charges	76,525	11.3
Total	678,801	100.0

What the Money is spent on:

	£'000	%
Employees	272,413	40.6
Capital Financing	71,872	10.7
Operating Costs	326,550	48.7
Transfer to balances	7,966	0
Total	678,801	100.0

Capital Expenditure 2005/06

The Council spent over £132m on its capital programme in 2005/06. The programme underpins the Council's objectives and provides for investment in long term assets which are used to deliver the Council's services. The largest spending area (£73m) was year 4 of the 5 year arms length management organisation's (Wigan and Leigh Housing (WALH)) Housing Programme to renovate the Council's housing stock to the Government's decency standard. Other significant areas of spend included investment in schools (£19.1m) and highways (£7.9m). The Council also invested in aids and adaptations for disabled persons (£2.2m) and a programme of capital repairs to maintain the fabric of Council buildings (£2.1m).

A number of capital projects spent less than originally planned in 2005/06 and expenditure on the following has been re-phased into 2006/07 and future years:

- Cansfield High School – Additional accommodation
- Golborne Junior & Infants – new school
- Surestart – Westleigh Methodists extension / refurbishment
- Surestart – Meadowbank extension / refurbishment
- Fred Longworth High School – additional places
- Low Bank Ground Coniston
- Local Safety Schemes Route Improvements – Scholes / Scholefield Lane
- Wigan to Leigh Quality Bus Corridor
- Easylink Bus Stop improvements
- Trencherfield Mill Redevelopment
- Wigan Pier Quarter Development
- Industrial Units Martland Park Wigan
- Leigh Sports Village



Statement of Accounts 2005 -2006

The Council spent money on the government supported Single Regeneration Budget programmes, Wigan's Regeneration Working Together and Wigan's Regeneration Fund (combined total of £ 3.2m) as well as the Neighbourhood Renewal Fund programme (£ 2.7m).

Other Matters

The Council continues to hold an 'excellent' rating under the Comprehensive Performance Assessment (CPA) criteria. This independent assessment of the Council's achievements is very much welcomed. Financial planning, probity and stewardship formed part of the assessment and the results in these areas score highly.

Schools have responsibility for their budgets and can carry forward their own balances. In 2005/06 the cumulative balances held by the schools have increased by £0.582m and now stand at £6.953m. These balances are not available to the Council.

The application of Financial Reporting Standard (FRS) 17 has resulted in a pension liability of £191m shown in the consolidated balance sheet. This represents the Council's liability to the Greater Manchester Pension fund and discretionary teachers' pensions. This amount is matched by a pensions reserve and therefore has no impact on the Council's revenue balances. Further details are set out in the accounting policies section of this document.

Housing Revenue Account (HRA)

The Council uses Wigan & Leigh Housing to manage the Council's housing stock and other housing activities (Homelessness and Asylum Seekers for example) that were previously administered by the Housing Department. The Council retains ownership of the housing stock and other associated assets.

The Council is required to keep a separate account in respect of Council Housing. The HRA will show the major elements of expenditure (maintenance, management and capital financing) and income (rents, charges and Housing Subsidy).

The HRA commenced the 2005/06 financial year with a surplus of £10.7m. Sound financial management during 2005/06 ensured that increased expenditure on routine repairs was offset by additional income and reduced expenditure in other areas of activity. This resulted in a break even position for 2005/06 and at the end of the financial year the HRA closed with an accumulated surplus of £10.7m.

The statutory requirement to make a provision for the repayment of debt was removed in 2004/05 and during 2005/06 the Council made the decision not to make a voluntary repayment of debt on the HRA for the financial year 2005/06.

The Council maximised its potential to borrow additional funds to invest in housing stock refurbishment to meet the Government's Decent Homes target. Between 2002/03 and 2005/06 Wigan Council successfully used the maximum £137.3 million Government allocation of additional borrowing approvals, awarded to the Council following Wigan & Leigh Housings accreditation as a two star service under the Best Value Inspection Regime.

In 2005/06 we used £17.7million from the Major Repairs Reserve to provide additional funds for housing stock refurbishment. At 31st March 2006 the Major Repairs Reserve has an unspent balance of £2.1million. This will be used to fund major works in future years.

Council Balances and Reserves

The overall amount of balances held by the Council at the 31st March 2006 is £21.328m and a proportion of this is required for revenue and capital investment support in future years.

Financial Outlook

The Council is continually reconsidering its objectives, reassessing its priorities and re-examining the way in which service delivery is currently achieved.

In compliance with recent legislation and with the increased certainty of Government funding levels the Council has now established a 3 year budget plan. The Government as part of the Comprehensive Spending Review has given the Council indicative grant figures for 2007/08.



Statement of Accounts 2005 -2006

At the same time it has overhauled the Grant distribution mechanisms and ring fenced a large part of the Education spending with the introduction of the Dedicated Schools Grant valued at £170m for this Council. So, with the exception of Education, the changes mean individual services can no longer identify grant allocated to them centrally and responsibility for prioritising spending and meeting demand pressures for the remaining services lies with the Council.

The emphasis now is on grant distribution based on affordability and a capping regime to prevent excessive Council Tax increases. The Council has consistently looked to manage its financial affairs within these parameters.

Additionally, funding the Council's Capital Programme remains an important part of the Revenue Budget strategy. The Council has a continuing commitment to long term investment in the Borough. Whilst capital resources appear to be sufficient for 2006/07, there will always be a requirement to prioritise between capital investment and the revenue spending on current services to achieve a balanced budget plan.

The Comprehensive Performance Assessment process and the Gershon Review mean that the Council must link spending and service delivery and seek efficiencies within its operations. Again, the Council is continually striving to do this.

Looking ahead the Government has embarked upon a consultation exercise about the next Comprehensive Spending Review to be published in 2007 (known as CSR07) which will set the public spending plans for 2008 to 2011. The Chancellor of the Exchequer has already signalled a much tighter regime for the public sector compared with previous settlements. It is clear that the Gershon efficiency agenda will continue to be a feature of the national financial management environment as will "capping" of Council Tax increases. Set against public expectations for improved and increased services this will provide a challenging financial climate for all local authorities.

The review of the funding, functions and structure of local government by Sir Michael Lyons is awaited with interest because of the changes which this may bring about.

Initiatives under the efficiency agenda require Councils to look at new ways of working, particularly in the areas of collaborative working and shared services. Whilst there is voluntary element at the moment the tighter fiscal climate may well add more imperative to this agenda.

Locally, the resolution of the harmonisation of equal pay for equal work within existing budgets with consequent effects upon staff recruitment and retention will require very careful management.

The Council is currently reviewing its Departmental structures and service delivery models to ensure that they are fit for purpose. Particularly, we are concerned we take advantage of developments in technology and also maximise on the considerable investment in business systems made in recent years.

In overall terms the revenue balances are forecast to remain close to our prudential minimum 5% if all budgets continue to be kept in a balanced position. However, the capital programme currently shows a deficit of resources that may need to be funded from reserves or further asset sales in 2008/09.

Finally, the Council publishes a number of forward looking plans in accordance with statutory requirements and best practice and as part of an improving agenda. These plans are available in hard copy and on the Council's Web site.

Concluding Remarks

The Council, as always, remains committed to use all its resources – financial, human and material, for the maximum benefit of its residents. Sound financial management in 2005/06 has helped with this objective.

This year marks the final stage in a process that will see the earlier completion and publication of the Accounts. The statutory timetable has been brought forward by one month and the accounts must be approved by Members by 30th June 2006 and published by 30th September 2006. This has been a considerable challenge and my thanks are due to everyone involved in achieving this demanding deadline.

The Statement of Accounts is intended to give electors, those subject to locally levied taxes and charges, Members of the Council, employees and other interested parties clear information about the Council's finances. I would welcome any constructive comments which would help improve this information. To this end a questionnaire has been devised and included in the accounts.



Statement of Accounts 2005 -2006

Finally, I have set out in a statement, the responsibilities of the Council and the Director of Finance & I.T. for the accounts. This shows the requirements of the legislation together with my professional and legal responsibilities for the accounts.

D J SMITH MA PhD CPFA
Director of Finance & I.T.

Further Information

Further information about the accounts is available from the Finance & I.T. Department, Civic Centre, Millgate, Wigan. The full Statement of Accounts will be available on the Council website at the beginning of July. A Summary of the Accounts will be circulated for stakeholder comment and consultation in July.

Interested members of the public have a statutory right for 20 working days to inspect the accounts before the audit is completed.

For 2005/06 the inspection date will start in July and the appointed day for raising queries with the External Auditors is expected to be in August 2006.