
THE EXPLANATORY FOREWORD

The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the accounts.

Financial Statements 2008/2009

This Statement of Accounts summarises the accounts of Oadby and Wigston Borough Council for the year ended 31st March 2009.

The principles adopted in compiling the Accounts are those recommended by The Chartered Institute of Public Finance and Accountancy. In particular, the Code of Practice on Local Authority Accounting and Best Value Accounting Code of Practice have been followed.

The pages, which follow, are the Council's final accounts for 2008/2009 and comprise:-

- **The Statement of Accounting Policies**

This explains the basis of the figures in the accounts. The accounts can be properly appreciated only if the policies, which have been followed in dealing with material items, are explained.

- **The Income and Expenditure Account**

This reports the net cost for the year of all the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

- **The Statement of Movement on the General Fund Balance**

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis. The General Fund Balance shows whether the Council has over or under spent against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

- **The Statement of Total Recognised Gains and Losses**

During the financial year, the Council will be recognising other gains and losses in its Balance Sheet that are not shown in the Income and Expenditure Account. This statement brings these other gains and losses together with the outturn on the Income and Expenditure Account to show the total movement in the authority's net worth for the year.

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- **The Balance Sheet**

This is fundamental to the understanding of the Council's year end financial position. It shows the balances and reserves at the Council's disposal and its long-term indebtedness, the net current assets employed in its operations, and summarises information on the fixed assets held.

- **The Cash Flow Statement**

This summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

- **The Housing Revenue Account**

This reflects a statutory obligation to account separately for Local Authority housing provision. It shows the major elements of housing revenue expenditure - maintenance, administration and capital financing costs and how these are met from rents, subsidy and other income. This account is reported using two statements – the Housing Revenue Income and Expenditure Account and the Statement of Movement on the Housing Revenue Account Balance. The latter statement reconciles the Income and Expenditure Account to the Housing Revenue Account Balance.

- **The Collection Fund**

The Council acts as trustee for the local taxpayers of the Borough. The Collection Fund shows the transactions of the Council as a charging Authority in relation to non-domestic rates, the general Government grant in aid of the cost of local services and the Council Tax and illustrates the way in which these have been distributed to precepting Authorities and the General Fund. The Collection Fund Balance Sheet is consolidated and forms part of the Council's main accounts.

- **The Statement of Responsibilities for the Statement of Accounts**

This sets out the respective responsibilities of the authority and the Chief Financial Officer for the accounts.

- **The Annual Governance Statement**

This statement summarises the systems and processes, cultures and values by which this authority is directed and controlled and through which it accounts to, engages with and where appropriate leads the community. It identifies any gaps or weaknesses and implements responding action plans.

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Financial Commentary

Budget Comparison

Net service expenditure by committee, interest income, receipts from the Collection Fund and how these compare in overall terms with budgeted figures for 2008/2009 are set out below :-

Committee	Actual 2007/08 <u>£000's</u>	Budget 2008/09 <u>£000's</u>	Actual 2008/09 <u>£000's</u>	Variance 2008/09 <u>£000's</u>
Development Control	619	696	618	(78)
Policy	2,845	3,120	3,544	424
Licensing	41	53	57	4
Services	5,277	5,419	5,239	(180)
Youth	34	35	26	(9)
Depreciation	(727)	(632)	(970)	(338)
Expenditure funded by Capital W/O	(326)	(347)	(238)	109
Transfer to Other Reserves	322	8	(119)	(127)
Use of Revenue Grants	(203)	(302)	(167)	135
Other Financing Charges	(108)	7	(37)	(44)
Net Expenditure	<u>7,774</u>	<u>8,057</u>	<u>7,953</u>	<u>(104)</u>
Council Tax Deficit/(Surplus)	(36)	20	20	0
Collection Fund Income	<u>(7,758)</u>	<u>(7,971)</u>	<u>(7,971)</u>	<u>0</u>
Transfer from / (to) Reserves	<u>(20)</u>	<u>106</u>	<u>2</u>	<u>(104)</u>

The actual position for the year saw a contribution from the General Fund Reserve of £2,000 being made. The planned contribution for the year from reserves was £106,000. Therefore, there was a favourable variance for the year of £104,000.

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Major Changes in the Council's Assets and Liabilities

During 2008/09 the Council expended £1.895 million on capital projects as shown below. There have been no other material changes to assets and liabilities.

	<u>2008/09</u>	<u>2007/08</u>
	£000's	£000's
Capital Expenditure		
Services (Housing Related)		
Housing Revenue Account	816	834
General Fund	<u>498</u>	<u>540</u>
	1,314	1,374
Services	484	299
Policy	<u>97</u>	<u>102</u>
Total	<u><u>1,895</u></u>	<u><u>1,775</u></u>
Financed By		
Capital Receipts	330	283
Government Grants	206	198
Loans	250	250
External Funding	294	198
Revenue	0	97
Major Repairs Allowance	<u>815</u>	<u>749</u>
Total	<u><u>1,895</u></u>	<u><u>1,775</u></u>

Pensions Liability

The Authority participates in the Local Government Pension Scheme administered by Leicestershire County Council – this is a defined benefit funded scheme, meaning the Authority and employees pay contributions into a fund. Under FRS 17 the Council is required to account for these retirement benefits when it is committed to give them. In this respect, the Authority's liability to the fund has been included in the accounts in the sum of £9,045,000 as at 31st March 2009.

Accounting Policies

The Council's accounting policies are set out on pages 9 to 19.

The following changes have been made to the Authority's policies for the financial year 2008/09:

- As allowed by new statutory guidance, the method of calculating the Minimum Revenue Provision has been revised on a new prudent basis. (see Statement of Accounting Policies, note 11 and Notes to the Core Financial Statements, note 4)
- Operating leases are now accounted for on an accruals rather than a cash basis (see Statement of Accounting Policies, note 13 and Notes to the Core Financial Statements, note 3)

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- Under the 2008 SORP the Council has adopted the amendments to FRS17, Retirement Benefits. As a result quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of the scheme assets at 31st March 2009 has been restated from £16.989m to £16.868m a decrease of £121,000 resulting in an equal increase in the pension deficit. Current and prior year surpluses have been unaffected by this change. (see Statement of Accounting Policies, note 6 and Notes to the Core Financial Statements, note 28)

Statutory Functions and Planned Future Developments

There have been no changes in the statutory functions of the authority.

The Council will continue to provide services on the basis of the following approved priorities:

- A good quality of life for all residents
- A clean, green and safe environment
- A successful economy

To improve the efficiency of the services that are provided, a number of business process improvement projects are under way including:

- The sharing of services with other partners
- The “Bigger Borough” review co-ordinated by the Chief Executive

Borrowing Facilities

The Council is able to raise finance for capital expenditure and operational requirements from a number of approved borrowing instruments. As part of its prudential indicators and treasury strategy the Council sets limitations on borrowing and sets strategic objectives, including the minimisation of the value and cost of external borrowing.

The Prudential Code sets the following indicators for external debt:

The Authorised Limit

This represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short-term, but is not sustainable. It is the expected maximum borrowing need with some head room for unexpected movements. This is the statutory limit under Section 3 (1) of the Local Government Act 2003.

The Operational Boundary

This indicator is based on the probable external debt during the course of the year. It is not a limit and actual borrowing could vary around the boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

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The following table illustrates the limits and levels of borrowing as at 31st March 2009 as compared to the preceding year end.

	<u>2008/09</u> £000's	<u>2007/08</u> £000's
Borrowing Limits:		
Authorised	5,000	4,500
Operational	<u>3,500</u>	<u>3,000</u>
Borrowing:		
Long-term	2,000	500
Short-term	500	1,500
Bank Overdraft	<u>398</u>	<u>725</u>
	<u>2,898</u>	<u>2,725</u>

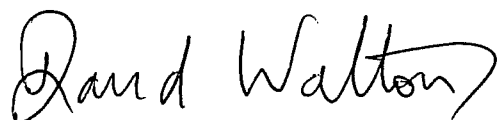
The Council has in place an overdraft facility with its bankers in the sum of £1.0 million (2007/08 £1.0 million).

The Council also utilises operating leases primarily in respect of operational vehicles. Leasing obligations are shown in note 3 to the core financial statements.

Reserves and Balances

The following table sets out the resources available to the Council to meet its capital expenditure plans and other financial commitments as at 31 March each year.

	<u>2008/09</u> £000's	<u>2007/08</u> £000's
Revenue Reserves		
General Fund	1,560	1,562
Housing Revenue Account	518	648
Other Resources		
Useable Capital Receipts	690	972
Earmarked Reserves	1,752	1,854
Major Repairs Reserve	142	163



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