
NOTES TO THE CORE FINANCIAL STATEMENTS

1. Reconciling Items for the Statement of Movement on the General Fund

	<u>2008/09</u>	<u>2007/08</u>
	£000's	£000's
Amounts Included in the Income and Expenditure Account but Required by Statute to be Excluded when Determining the Movement on the General Fund Balance for the Year		
Amortisation of Intangible Fixed Assets	(44)	(34)
Depreciation and Impairment of Fixed Assets	(9,934)	(1,048)
Government Grants Deferred Amortisation	327	341
Revenue Expenditure to be funded by Capital under Statute	(238)	(326)
Net Gain on Sale of Fixed Assets	57	0
Differences between amounts debited/credited to the Income and Expenditure Account and amounts receivable/repayable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	(6)	0
Net Charges Made for Retirement Benefits in Accordance with FRS 17	<u>(1,075)</u>	<u>(638)</u>
	(10,913)	(1,705)
Amounts not Included in the Income and Expenditure Account but Required to be Included by Statute when Determining the Movement on the General Fund Balance for the Year		
Minimum Revenue Provision for Capital Financing	161	149
Capital Expenditure Charged In-Year to the General Fund Balance	0	81
Transfer from Usable Capital Receipts to meet Payments to the Housing Capital Receipts Pool	(75)	(241)
Employees Contributions Payable to the Leicestershire Pension Fund and Retirement Benefits Payable Direct to Pensioners	<u>785</u>	<u>689</u>
	871	678
Transfers to or from the General Fund Balance that are Required to be Taken into Account when Determining the Movement on the General Fund Balance for the Year		
Housing Revenue Account Balance	(130)	76
Net Transfer to or from Earmarked Reserves	<u>(518)</u>	<u>240</u>
	(648)	316
Net Additional Amount Required to be Credited to the General Fund Balance for the Year	<u>(10,690)</u>	<u>(711)</u>

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2. Publicity

Section 5 (1) of the Local Government Act 1986 requires the disclosure of the Council's spending on publicity and advertising.

	<u>2008/09</u>	<u>2007/08</u>
	£000's	£000's
Recruitment Advertising	96	100
Other Advertising	20	28
Publicity	35	34
Total	<u>151</u>	<u>162</u>

3. Finance and Operating Leases

Lease Type	<u>2008/09</u>			<u>2007/08</u>
	<u>Other</u>			<u>Total</u> £000's
	<u>Vehicles</u> £000's	<u>Equipment</u> £000's	<u>Total</u> £000's	
Operating Leases	237	20	257	298
Finance Leases	0	0	0	0
Total	<u>237</u>	<u>20</u>	<u>257</u>	<u>298</u>

At 31st March 2009 the Authority has commitments regarding operating leases totalling £810,382. The length of time that the Authority has this commitment is analysed below.

Asset	Length of Commitment			<u>Total</u> £000's
	<u><1 year</u>	<u>2-5 years</u>	<u>>5 years</u>	
	£000's	£000's	£000's	
Land & Buildings	0	0	0	0
Other Operating Leases	250	556	4	810
	<u>250</u>	<u>556</u>	<u>4</u>	<u>810</u>

4. Minimum Revenue Provision

Under the Capital Finance Regulations, this Authority has a duty to set aside a minimum revenue provision (MRP) for the redemption of external debt that it considers "prudent".

For this financial year in respect of debt that is supported by the Revenue Support Grant the method chosen is the Capital Financing Requirement (CFR) method. The CFR method calculates MRP as 4% of the non-housing CFR at the end of the preceding financial year.

In the case of new borrowing for which no Government support has been given and is therefore self-financed, the Asset Life method has been used. This method requires MRP to be made in equal annual instalments over the estimated life of the asset for which the unsupported borrowing is undertaken.

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	<u>2008/09</u>	<u>2007/08</u>
	£000's	£000's
Non Housing Amount	161	149
Housing Amount	0	0
Minimum Revenue Provision	161	149

The provision for depreciation should be regarded as part of the minimum revenue provision with the balance being treated as a transfer to or from the Capital Adjustment Account.

	<u>2008/09</u>	<u>2007/08</u>
	£000's	£000's
Minimum Revenue Provision	161	149
Amount Charged as Depreciation	(1,078)	(985)
Additional Charge to/from the General Fund Balance	(917)	(836)

5. Remuneration of Senior Staff

The authority is required to disclose the number of employees whose remuneration is in excess of £50,000 per annum, starting at that level and increasing in multiples of £10,000. The situation for 2008/09 is as follows;

Remuneration Band	<u>2008/09</u>	<u>2007/08</u>
£50,000 - £59,999	1	0
£60,000 - £69,999	0	1
£70,000 - £79,999	1	1
£80,000 - £89,999	0	0
£90,000 - £99,999	1	1

Remuneration for these purposes includes all sums paid to or receivable by an employee, sums due by way of expense allowances and the money value of any other benefits received other than in cash, but excludes pension contributions payable by either the employee or the authority.

6. Preparation Costs for the Euro

The Council did not incur any cost in relation to preparation for the introduction of the Euro.

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7. Related Party Transactions

During the year transactions with related parties not disclosed elsewhere, arose as follows;

	2008/09		2007/08	
	Receipts	Payments	Receipts	Payments
	£000's	£000's	£000's	£000's
Leicestershire County Council				
Safer Communities Grant	45		53	
Supporting People Grant	80		70	

8. Members Allowances

In 2008/09 the Council paid allowances to Members totalling £156,082 (2007/08 £145,908).

9. Building Control Trading Accounts

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities.

The statement below shows the total costs of operating the building control unit divided between the chargeable and non-chargeable activities.

	2008/09			2007/08		
	Chargeable Account	Non Chargeable Account	Total Building Control	Chargeable Account	Non Chargeable Account	Total Building Control
	£	£	£	£	£	£
Expenditure						
Employees Expenses	91,992	29,551	121,543	95,482	26,440	121,922
Supplies & Services	6,558	2,107	8,665	6,239	1,728	7,967
Central Support Service	20,887	5,012	25,899	21,238	3,373	24,611
Accommodation	7,718	2,479	10,197	4,246	1,176	5,422
Refunds	3,047	0	3,047	4,273	0	4,273
Total	130,202	39,149	169,351	131,478	32,717	164,195
Income						
Inspection Fees	90,958	0	90,958	58,362	0	58,362
Application Fees	65,083	0	65,083	64,051	0	64,051
Misc	1,271	0	1,271	1,531	0	1,531
Total	157,312	0	157,312	123,944	0	123,944
(Surplus) / Deficit	(27,110)	39,149	12,039	7,534	32,717	40,251

NOTES TO THE CORE FINANCIAL STATEMENTS

10. Audit Costs

In 2008/09 Oadby and Wigston Borough Council incurred the following fees relating to external audit and inspection:

	<u>2008/09</u>	<u>2007/08</u>
	£000's	£000's
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	99	93
Fees payable to the Audit Commission in respect of statutory inspection	6	12
Fees payable to the Audit Commission for the certification of grant claims and returns	30	37
	<u>135</u>	<u>142</u>

11. Intangible Fixed Assets

	<u>Purchased Software Licences £'000</u>
Original Cost at 1st April 2008	98
Amortisations to 1st April	(4)
Balance at 1st April 2008	94
Expenditure In Year	47
Written Off to Revenue Account In Year	(49)
Balance at 31st March 2009	<u>92</u>

Intangible fixed assets have been amortised on a straight line method, with the assets having a useful life of between 1 and 5 years.

12. Capital Expenditure

The capital expenditure was financed as follows;

	<u>2008/09</u>	<u>2007/08</u>
	£000's	£000's
Opening Capital Financing Requirement	3,815	3,714
Capital Investment		
Operational Assets	1,397	1,161
Revenue Expenditure Funded from Capital under Statute	498	614
Sources of Finance		
Capital Receipts	(330)	(283)
Government Grants and Other Contributions	(1,315)	(1,161)
Revenue Provision	(161)	(230)
Closing Capital Financing Requirement	<u>3,904</u>	<u>3,815</u>
Explanation of Movement in Year		
Increase/Decrease in underlying need for supported Borrowing	0	0
Increase in underlying need for unsupported Borrowing	89	101
	<u>89</u>	<u>101</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

13. Capital Expenditure and Disposals

Movements in fixed assets during the year were as follows;

	Council Dwellings	Other Land & Buildings	Non - Operational Assets	Plant & Equipment	Total
	£000's	£000's	£000's	£000's	£000's
Certified valuation at 1st April 2008	72,233	18,335	156	1,704	92,428
Accumulated depreciation and impairment	0	0	0	(1,163)	(1,163)
Net Book Value of assets at 1st April 2008	72,233	18,335	156	541	91,265
Movement in Year					
Additions	816	161	0	372	1,349
Disposals	(101)	0	0	0	(101)
Revaluations	(9,012)	90	(4)	0	(8,926)
Depreciation	(1,166)	(786)	0	(289)	(2,241)
Book Value as at 31st March 2009	62,770	17,800	152	624	81,346

Depreciation Account	Council Dwellings	Other Land & Buildings	Non - Operational Assets	Plant & Equipment	Total
	£000's	£000's	£000's	£000's	£000's
Accumulated Depreciation 1st April 2008	0	0	0	1,160	1,160
Depreciation in Year	1,166	786	0	289	2,241
Revaluation Adjustment	(1,166)	(786)	0	0	(1,952)
Accumulated Depreciation 31st March 2009	0	0	0	1,449	1,449

The assets that attract a depreciation charge are depreciated using the straight-line method. The valuer has assessed the remaining useful life of the assets and this has been taken into account when calculating depreciation.

Although, in some cases, the useful life of the Councils other land and buildings is likely to be greater than 20 years a prudent view has been adopted, depreciating the buildings over a period of between 5 and 20 years.

The useful life of the plant, equipment and vehicles has fallen into a range of between 5 and 10 years.

Non operational assets consist of assets not yet complete and investment properties. No depreciation has been provided for these assets.

The Council has not depreciated freehold land.

NOTES TO THE CORE FINANCIAL STATEMENTS

14. Analysis of Net Assets Employed

	31st March 2009 £000's	31st March 2008 £000's
General Fund	8,695	14,255
Housing Revenue Account	62,732	72,746
	<u>71,427</u>	<u>87,001</u>

15. Information on Assets Held

Fixed assets owned by the Council include the following;

	No. as at 31st March 2009	No. as at 31st March 2008
Operational Buildings		
Allotment Sites	5	5
Car Parks	10	10
Cemeteries	2	2
Closed Churchyards	2	2
Council Offices	1	1
Community / Day Centres	6	5
Depots & Garage	1	1
Garages	179	179
Garage Spaces	54	54
Golf Course	1	1
Pavilions	7	7
Public Conveniences	4	4
Sports Centre	1	1
Swimming Pools	2	2
Sports Grounds & Parks	13	13
Vehicle Workshop	1	1
Brocks Hill Visitor Centre	1	1
Commercial Property		
Shops	3	3
Council Dwellings	1264	1265

16. Finance Leases

No items of capital were acquired under finance leases in 2008/09.

It is a requirement that finance leased items are capitalised according to SSAP 21. However, the undischarged liability of the Council with regard to such leases is nil.

NOTES TO THE CORE FINANCIAL STATEMENTS

17. Revenue Expenditure Funded from Capital under Statute

	£000's
Balance at 1st April 2008	0
Grants Funded by the Authority in Year	498
Funded by External Grants and Contributions	(260)
Written off in Year	(238)
Balance at 31st March 2009	<u>0</u>

Net expenditure totalling £237,708 was wholly written off during the year of account.

18. Capital Commitments

As at 31st March 2009 the Council is committed to the following major capital project for completion in the next financial year.

	£000's
Uplands Road Play Area	<u>59</u>

19. Fixed Asset Valuation

The Freehold and Leasehold properties which comprise the Authority's property portfolio have been valued as at 31st March 2009 by an external independent valuer, Robert Clarke, in accordance with the statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors, except that not all the properties were inspected. This was neither practical nor considered by the valuer to be necessary for the purposes of the valuation. Consequently, Council Dwellings were valued using the "Beacon Principle". Inspections to determine the Beacon properties were carried out between March and June 2005.

Plant and machinery directly associated with the building is included in the valuation of the buildings.

Properties regarded by the Authority as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market value for the subject asset, the depreciated replacement cost.

Where an impairment loss on an operational fixed asset occurs this has been recognised, if it is caused by a clear consumption of economic benefit (e.g. physical damage or deterioration in the quality of the service provided by the asset).

In order to judge impairment, a rolling stock condition survey is being carried out by the Council's Asset Management Group. Any assets that are considered to have suffered any impairment are referred to the Authority's independent valuer for assessment. To date no impairment has been recognised.

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20. Debtors

Amounts falling due in one year are;

	<u>31/03/09</u>	<u>31/03/08</u>
	£000's	£000's
General Fund		
Customs & Excise - VAT	130	118
Sundry Debtors	506	401
Payments in Advance	94	13
Government Grants	457	181
Business Growth Incentives Scheme Grant	0	194
Other Debtors	298	168
Collection Fund		
Precepting Authorities	0	104
Council Tax	575	565
National Non Domestic Rates	396	361
Government Grants	102	463
Housing Revenue Account		
Housing Rents	143	145
	2,701	2,713
Less: Provision for Bad Debts		
General Fund	(240)	(180)
Housing	(65)	(68)
Council Tax	(195)	(177)
National Non Domestic Rates	(124)	(94)
Total	<u>2,077</u>	<u>2,194</u>

Amounts falling due after one year are;

	<u>31/03/09</u>	<u>31/03/08</u>
	£000's	£000's
Housing Act Advances	1	2
Voluntary Organisation Loans	2	2
Mortgages	4	6
Car Loans to Employees	62	78
	<u>69</u>	<u>88</u>

21. Stocks and Work-in-Progress

	<u>31/03/09</u>	<u>31/03/08</u>
	£000's	£000's
Stocks & Stores	12	15
W I P	18	23
	<u>30</u>	<u>38</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

22. Short Term Creditors

	<u>31/03/09</u>	<u>31/03/08</u>
	£000's	£000's
General Fund		
Sundry Creditors	723	733
Rents	31	31
Receipts in Advance	360	391
Other Creditors	264	35
Government Grants	29	20
Collection Fund		
Precepting Authorities	56	0
Council Tax	395	360
National Non Domestic Rates	479	476
Total	<u><u>2,337</u></u>	<u><u>2,046</u></u>

23. Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long - Term		Current	
	<u>31/03/09</u>	<u>31/03/08</u>	<u>31/03/09</u>	<u>31/03/08</u>
	£000's	£000's	£000's	£000's
Financial Liabilities at Amortised Cost	2,000	500	3,235	4,271
Financial Liabilities at Fair Value through Profit and Loss	0	0	0	0
Total Borrowings	<u><u>2,000</u></u>	<u><u>500</u></u>	<u><u>3,235</u></u>	<u><u>4,271</u></u>
Loans and Receivables	69	88	6,449	6,448
Available-for-Sale Financial Assets	2	2	0	0
Unquoted Equity Investment at Cost	0	0	0	0
Total Investments	<u><u>71</u></u>	<u><u>90</u></u>	<u><u>6,449</u></u>	<u><u>6,448</u></u>

24. Financial Instruments Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	Financial Assets	
	Loans and Receivables	
	<u>31/03/09</u>	<u>31/03/08</u>
	£000's	£000's
Interest Expense	(19)	(25)
Interest Income	13	15
Net Gain/(Loss) for the Year	<u><u>(6)</u></u>	<u><u>(10)</u></u>

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25. Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables 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:

- Estimated interest rates at 31st March 2009 of 4.54% for loans from the Public Works Loan Board and 3.78% for other loans receivable and payable
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

	31/03/09		31/03/08	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000's	£000's	£000's	£000's
Financial Liabilities	5,235	5,321	4,771	4,785

The fair value is more than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the Authority would have to pay if the lender requested or agreed to early repayment of the loans.

	31/03/09		31/03/08	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000's	£000's	£000's	£000's
Loans and Receivables	6,518	6,518	6,536	6,536

The fair value is represented by the carrying amount as the Authority has no material long-term investments.

26. Nature and Extent of Risks Arising from Financial Instruments

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;

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- 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 required 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 such measures as interest rates movements.

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice 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 Code of Practice;
- by approving annually in advance prudential 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 for 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 Strategy and Plan which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported at least annually to Members.

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are only made with UK banks and "top 20" building societies with a minimum long-term rating of A and a short-term rating of F1. In addition, investments in money market funds may be made provided that such funds have a long-term rating of AAA. Top 20 is defined

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as building societies with a minimum asset base of £1 billion. The Authority has a policy of not lending more than £1.5 million of its surplus balances to one institution.

The following analysis summarises the Authority's maximum exposure to credit risk. The table (from Fitch) gives details of global corporate finance average cumulative default rates (including financial organisations) for the period 1990 – 2007 on investments out to 5 years. For sundry debtors, other debtors and housing rents the historical experience of default is based on the provision for bad and doubtful debts according to generally accepted accounting practice. This is adjusted to reflect current market conditions.

	Amount at 31st March 2009	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31st March 2009	Estimated Maximum Exposure to Default and Uncollectibility
	£000's A	% B	% C	£000's (A x C)
Deposits with banks and financial Institutions				
AA Rated Counterparties	1,491	0.06	0.06	0.89
A Rated Counterparties	4,500	0.65	0.65	29.25
Sundry Debtors *	508	41.00	41.00	208.28
Other Debtors	78	41.00	41.00	31.98
Housing Rents	143	45.00	45.00	64.35
				<u>334.75</u>

* Sundry debtors includes the overpayment of housing benefits, building control fees and charges, licensing fees and other service fees and charges.

Whilst the current credit crisis in international markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties. As a result of these high credit criteria, we have maintained historical default rates as a good indicator under these current conditions.

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority does not allow credit for customers, such that all of the debtor's balance is past its due date for payment. The past due amount can be analysed by age as follows:

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	<u>31/03/09</u>	<u>31/03/08</u>
	£000's	£000's
Less than three months	131	70
Three to six months	23	25
Six months to one year	30	56
More than one year*	314	250
	<u>498</u>	<u>401</u>

* The majority of debt that has been outstanding for more than one year relates to the overpayment of housing benefit where instalment payment has been set up.

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 Strategy and Plan and Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). 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.

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 prudential 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 Strategy and Plan and Investment Strategy 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.

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The maturity analysis of financial liabilities is as follows:

	<u>31/03/09</u>	<u>31/03/08</u>
	£000's	£000's
Less than one year	3,235	4,271
Between one and two years	500	-
Between two and five years	500	-
More than five years	1,000	500
	<u>5,235</u>	<u>4,771</u>

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- Investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or Statement of Total Recognised Gains and Losses (STRGL). Movement in the fair value of fixed rate investments will be reflected in the STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance.

The Authority has a number of strategies for managing interest rate risk. The policy is to have no more than 25% of its borrowings in variable rate loans. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out should be fixed or variable.

According to this assessment strategy, at 31st March 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

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	31st March 2009	31st March 2008
	£000's	£000's
Increase in Government Grant Receivable for Financing Costs	(20)	(14)
Impact on Income and Expenditure Account	(20)	(14)
Share of Overall Impact Credited to the HRA	(20)	(14)

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

Price Risk

The Authority is not exposed to price risk as it does not invest in equity shares.

Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus no exposure to loss arising from movements in exchange rates.

27. Contingent Liabilities

There are no contingent liabilities.

28. Disclosure of Net Pensions Asset/Liability

The Authority participates in the Local Government Pension Scheme administered by Leicestershire County Council. This is a defined benefit funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

In 2008/09 the Council paid an employer's contribution of £736,742 (2007/08 £648,706) into the Leicestershire County Council Superannuation Fund, representing 16.75% (2007/08 15.31%) of pensionable pay.

In addition the Council made payments into the Leicestershire County Council Superannuation Fund relating to added years benefits of £48,406 (2007/08 £40,266), representing 1.10% (2007/08 0.95%) of pensionable pay.

The annual report of the Leicestershire County Council Pension Fund is available from County Hall, Glenfield, Leicester.

In 2008/09 pension costs have been charged to the income and expenditure account on the basis of contributions payable for the year to the Leicestershire County Council pension scheme (based on a formal actuarial valuation). However, at 31st March 2009, the Authority had the following overall assets and liabilities for pensions that have been included in the balance sheet.

NOTES TO THE CORE FINANCIAL STATEMENTS

	<u>31st March 09</u>	<u>31st March 08</u>
	£000's	£000's
Equities	13,326	16,581
Bonds	1,518	3,666
Property	2,024	1,802
Cash	0	354
Total Fair Value of Employer Assets	<u>16,868</u>	<u>22,403</u>
Present Value of Funded Liabilities	(25,268)	(25,722)
Present Value of Unfunded Liabilities	(645)	(715)
Net Pension Assets / (Liabilities)	<u>(9,045)</u>	<u>(4,034)</u>

The movement on the scheme liabilities for the year to 31st March 2009 are attributable as follows:

	<u>31st March 09</u>	<u>31st March 08</u>
	£000's	£000's
Opening Defined Benefit Obligation	26,437	27,642
Current Service Costs	575	793
Interest Cost	1,827	1,493
Contributions by Members	289	258
Actuarial (Gains)/ Losses	(2,437)	(2,706)
Past Service Costs / Gains	249	0
Losses / (Gains) on Curtailments	46	0
Estimated Unfunded Benefits Paid	(53)	(52)
Estimated Benefits Paid	(1,020)	(991)
	<u>25,913</u>	<u>26,437</u>

An analysis of the amount charged to revenue in the year to 31st March 2009 including the expected return on employers assets and interest cost for the scheme which has been expressed as a monetary value and as a percentage of payroll, is shown below.

	<u>31st March 2009</u>		<u>31st March 2008</u>	
	£000	% of Payroll	£000	% of Payroll
Charged to Operating Profit				
Current Service Costs	575	13.1	793	18.7
Past Service Costs	249	5.7	0	0.0
Curtailments and Settlements	46	1.0	0	0.0
Total Operating Charge (A)	<u>870</u>	<u>19.8</u>	<u>793</u>	<u>18.7</u>
Amount Credited to other Finance Income				
Expected Return on Employee Assets	1,622	36.9	1,648	38.9
Interest on Pension Scheme Liabilities	(1,827)	(41.6)	(1,493)	(35.2)
Net Return (B)	<u>(205)</u>	<u>(4.7)</u>	<u>155</u>	<u>3.7</u>
Net Revenue Account Costs (A)-(B)	1,075	24.5	638	15.0
Actual Return on Plan Assets	<u>(5,578)</u>		<u>(1,158)</u>	

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc discounted to their present level. The current service cost is expected to increase as members of the scheme

NOTES TO THE CORE FINANCIAL STATEMENTS

approach retirement. The County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries.

	<u>31st March 2009</u> % per annum	<u>31st March 2008</u> % per annum
	%	%
Rate of Increase in Prices	3.1	3.6
Rate of Increase in Salaries	4.6	5.1
Rate of Increases in Pensions	3.1	3.6
Proportion of Employees Opting to take a commuted Lump Sum	0.0	0.0
Rate of Discounting Scheme Liabilities	6.9	6.9
Mortality Assumptions	Males	Females
Current Pensioners	19.6 years	22.5 years
Future Pensioners	20.7 years	23.6 years

Actuarial gains and losses (experience gains and losses) arise when events have not coincided with the actuarial assumptions made for the last valuation and when assumptions have changed. Experience gains and losses have arisen on the scheme liabilities for the year to 31st March 2009.

	<u>31st March 2009</u>	<u>31st March 2008</u>
Opening Balance of amounts recognised in the Statement of Total Recognised Gains & Losses	(787)	(1,004)
Actuarial Gains / (Losses)	(4,842)	217
Closing Balance of amounts recognised in the Statement of Total Recognised Gains & Losses	<u>(5,629)</u>	<u>(787)</u>

Year Ended	<u>31st March 2009 £ 000's</u>	<u>31st March 2008 £ 000's</u>	<u>31st March 2007 £ 000's</u>	<u>31st March 2006 £ 000's</u>	<u>31st March 2005 £ 000's</u>
Fair Value of Employer Assets	16,861	22,404	23,329	21,600	17,540
Present Value of Defined Benefit Obligation	(25,913)	(26,437)	(27,642)	(27,600)	23,440
Surplus / (Deficit)	(9,045)	(4,034)	(4,313)	(6,000)	(5,900)
Experience Gains/(Losses) on Assets	(7,171)	(2,489)	304	3,000	600
Experience Gains/(Losses) on Liabilities	48	(2,078)	(96)	198	162

NOTES TO THE CORE FINANCIAL STATEMENTS

The movement on the fair value of the scheme assets for the year to 31st March 2009 are attributable as follows:

	<u>31st March 2009</u>	<u>31st March 2008</u>
	£000's	£000's
Opening Fair Value of Employer Assets	22,404	23,329
Expected Return on Assets	1,622	1,648
Contribution by Members	289	258
Contributions by the Employer	737	649
Contributions in Respect of Unfunded Benefits	48	40
Actuarial Gains / (Losses)	(7,171)	(2,489)
Unfunded Benefits Paid	(48)	(40)
Benefits Paid	(1,020)	(991)
Closing Fair Value of Employer Assets	16,861	22,404

Assets in the County Council Pension Fund are valued at fair value, principally market value for investment, and consist of the following categories, by value and proportion of assets and expected return as at 31st March 2009.

<u>ASSET</u>	<u>31st March 2009</u>			<u>31st March 2008</u>		
	<u>Value</u>	<u>Proportion of Asset</u>	<u>Expected Return</u>	<u>Value</u>	<u>Proportion of Asset</u>	<u>Expected Return</u>
	£000's	%	% p.a.	£000's	%	% p.a.
Equity Investment	13,326	79.0%	7.0%	16,670	74.0%	7.7%
Bonds	1,518	9.0%	5.4%	3,686	16.4%	5.7%
Property	2,024	12.0%	4.9%	1,812	8.0%	5.7%
Cash	0	0.0%	4.0%	356	1.6%	4.8%
	16,868	100.0%	6.6%	22,524	100.0%	7.2%

It is estimated that that the Employer's contributions for the year to 31 March 2010 will be approximately £707,000.

Analysis of Projected amounts to be charged against operating profit in the year to 31 March 2010 is:

	<u>£000's</u>	<u>% of pay</u>
Projected Current Service Cost	443	11.0%
Interest on Obligation	1,772	43.9%
Expected Return on Plan Assets	(1,108)	(27.4%)
Total	1,107	(27.4%)

NOTES TO THE CORE FINANCIAL STATEMENTS

29. Movements on Reserves

	Balance At 1st April 2008	Net Movement in the Year	Balance At 31st March 2009
	£000's	£000's	£000's
Revaluation Reserve	(1,811)	165	(1,646)
Capital Adjustment Account	(83,911)	9,757	(74,154)
Financial Instruments Adjustment Account	0	6	6
Pensions Reserve	3,913	5,132	9,045
Useable Capital Receipts Reserve	(972)	282	(690)
Deferred Capital Receipts	(9)	2	(7)
General Fund	(1,562)	2	(1,560)
Housing Revenue Account	(648)	130	(518)
Collection Fund Reserve	17	(26)	(9)
Other Funds and Reserves	(2,018)	124	(1,894)
Total	(87,001)	15,574	(71,427)

Purpose of Reserves

Revaluation Reserve	Store of gains on revaluation of fixed assets not yet realised through sales
Capital Adjustment Account	Store of capital resources set aside to meet past expenditure
Financial Instruments Adjustment Account	A non-usable reserve which constitutes balancing entries for adjustments in value to Financial Instruments
Pensions Reserve	Balancing account to allow inclusion of Pension Liability in the Balance Sheet
Useable Capital Receipts	Proceeds of fixed asset sales available to meet future capital investment
Deferred Capital Receipts	Proceeds of fixed asset sales which are not receivable immediately on sale.
General Fund	Resources available to meet future running costs for non-housing services
Housing Revenue Account	Resources available to meet future running costs for council houses
Collection Fund Reserve	Resources available to meet capital investment in council housing

NOTES TO THE CORE FINANCIAL STATEMENTS

30.Reconciliation of Revenue Cash Flow

	As At 31/03/09		As At 31/03/08
	£000's	£000's	£000's
(Surplus)/Deficit			
Income & Expenditure Accounts	10,692		691
Collection Fund	<u>(186)</u>		<u>254</u>
		10,506	945
Non Cash transactions			
Increase in Bad Debts Provision	(105)		11
Revenue Contributions to Capital	0		(81)
Contributions to Pensions Reserve	(85)		11
Contributions to Earmarked Reserves	(101)		46
Gains on Disposal of Fxed Assets	57		0
Revenue Expenditure funded from Capital	260		214
Amortized Contributions	327		341
Depreciation and Impairment Charges	(11,183)		(2,283)
Other non-cash Transactions	<u>(132)</u>		<u>(72)</u>
		(10,962)	(1,813)
Items on an Accruals Basis			
Increase/(Decrease) in Stocks	(8)		(36)
Increase/(Decrease) in Debtors	(31)		341
(Increase)/Decrease in Creditors	<u>(291)</u>		<u>288</u>
		(330)	593
Items Classified Elsewhere in Statement			
Investment Income	335		410
Interest Paid	<u>(97)</u>		<u>(110)</u>
		238	300
Net Cashflow from Revenue Activities		<u>(548)</u>	<u>25</u>

31.Reconciliation of Movement in Cash to Movement in Debt

	As At 31/03/09	As At 31/03/08	Movement
	£000's	£000's	£000's
Short-term Borrowing	(500)	(1,500)	1,000
Cash Overdrawn	(398)	(725)	327
Long Term Borrowing	(2,000)	(500)	(1,500)
(Increase)/Decrease in Cash			<u>(173)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

32. Analysis of Government Grants

	2008/09		2007/08
	£000's	£000's	£000's
Revenue Support Grant		551	630
Revenue:			
Rent Allowance	3,879		3,518
Benefit Administration	268		263
Rent Rebates	2,073		1,986
Council Tax Benefits	2,628		2,439
		8,848	8,206
Other Government Grants:			
Local Housing Allowance	0		68
Housing and Planning Delivery Grant	81		153
Area Based Grant	23		0
LA Business Incentive	271		34
PSA Grant	0		26
Waste Efficiency Grant	16		23
		391	304
Capital			
Housing and Planning Delivery Grant	0		50
Football Foundation	25		0
Improvement Grants	171		135
PSA Grant	0		26
Waste Efficiency Grant	8		23
		204	234
Total		9,994	9,374

33. Net Movement in Liquid Resources

The Council seeks to maximise return on short term cash surpluses by making deposits with authorised institutions.

	As At 31/03/2009 £000's	As At 31/03/2008 £000's	Increase/ (Decrease) in Year £000's
Money Market	5,991	6,009	(18)
Short Term Deposits	5,991	6,009	(18)

34. Local Area Agreements (LAA)

The council is a participant in an LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2008/09, the LAA completed the third year of its three-year agreement.

The purpose of the LAA is:

NOTES TO THE CORE FINANCIAL STATEMENTS

- To form an agreement between a diverse selection of public bodies with the aim of delivering improved public services for everyone in Leicestershire.
- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement.
- To improve the effectiveness and efficiency of public services in Leicestershire by pooling and aligning funding streams.

The LAA partners are:

- Local government bodies consisting of Leicestershire County Council, the seven district councils of Leicestershire and the Leicestershire and Rutland Association of Parish and Local Councils.
- Community protection authorities – Leicestershire Police Authority, Leicester, Leicestershire and Rutland Combined Fire Authority and the Probation Service.
- Health bodies – Representatives from the National Health Service.
- Community/Other Partnerships – Leicestershire Cultural Strategy Forum, Leicestershire Ethnic Minorities Partnership, Leicestershire Rural Partnership, Leicester Racial Equality Council, Community Safety Programme Board, Children and Young Persons' Strategic Partnership for Leicestershire, Jobcentre Plus, Enable (Environment for a Better Leicestershire), Connexions, Active Together Sport England and Faith communities via the Board of Social Responsibility.
- Further and Higher Education bodies – Leicestershire Learning and Skills Council, Leicestershire and Leicester City, Loughborough University and a representative for the Chamber of Commerce and Skills for Enterprise.
- Representative of the District Council for Voluntary Service.

Leicestershire County Council acts as the accountable body for the LAA. Leicestershire County Council utilises Area Based Grant (ABG) to achieve agreed LAA priorities. The county council does not determine which bodies are due payments – this is determined by the partnership (Leicestershire Together) in line with the targets agreed with the Government Office. In this context, this Council has only recognised the amount of LAA (ABG) funding distributed to it by the county council in its financial statements.

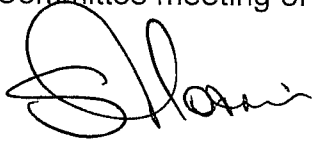
The total amount of LAA Grant received by the Local Strategic Partnership in 2008/09 was £23.2m. Oadby and Wigston Borough Council received £45,425 of this total to fund its own services.

NOTES TO THE CORE FINANCIAL STATEMENTS

35. Statement of Authorisation

The Statement of Accounts was authorised for issue on the 24th June 2009 by Mr. D Walton, Interim Director of Resources. All financial events up to and including this date have been considered in these accounts.

The accounts were considered and approved at the Resources and Regeneration Committee meeting of 30th June 2009



Mrs. S.B. Morris.
Chair of Resources and Regeneration Committee