

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. Of necessity the document only concerns itself with significant matters. 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 2004/05 are set out on pages 2 to 57 and in addition to this Foreword they consist of:

- The Statement of Accounting Policies.
- The Statement of Responsibilities for the Statement of Accounts.
- The Consolidated Revenue Account which summarises the Council's revenue income and expenditure on all services.
- The Consolidated Balance Sheet which sets out the financial position of the Council at 31 March 2005.
- The Statement of Total Movements in Reserves.
- The Cash Flow Statement which summarises the total movement of cash and cash equivalents.
- The Statutory Housing Revenue Account which summaries the transactions relating to the Council's housing stock.
- The Collection Fund Income and Expenditure Account which summaries the transactions on this statutory account.
- The Statement on Internal Control.

Revenue Expenditure in 2004/05

An overall comparison of the actual position for 2004/05 compared with the budgeted figures for the financial year is set out below.

| | Original Estimate £'000 | Actual £'000 | Variations £'000 |
|--------------------------------------------------------------------|----------------------------------------|-------------------------|-----------------------------|
| Net Position on Services | 324,299 | 322,835 | -1,464 |
| Passenger Transport Levy | 13,797 | 13,635 | -162 |
| Receipts from Council Tax, Business Rate and Rate Support Grant | -337,658 | -337,658 | 0 |
| Total Surplus(-)/Deficit for the year | 438 | -1,188 | -1,626 |

The Council, by in year budget management has reduced the planned deficit from £0.438m to a surplus of £1.188m to give a net benefit to balances of £1.626m.

The change in the net spending on services of £1.464m is the result of a number of variations between the original budget and actual spend as shown below:

Due to demand pressures the Social Services budget was increased by £2.7m across a range of care provision.

Other services related budget pressures on Supporting People (£0.393m), Waste Disposal (£0.391m) and Homeless Costs (£0.263m) added a further £1.047m.

These were partly offset by dividends from the Airport and Modesole (via Midland Hotel disposal proceeds) of £1.3m and reduced debt charges of £0.893m from the pooling of new borrowings.

Additional net reductions were achieved in year on the benefits service of £0.6m mainly connected with grant funding arrangements and from receipts from sales of assets under £10k amount to £0.3m and therefore classified as Revenue rather than Capital Receipts.

The balance of savings of £2.10m were from underspends on the IT Investment Account, Brighter Borough Initiatives and other areas due to slippage of programmed expenditure into 2005/06.

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

Where the Money comes from:

| | £'000 | % |
|--------------------|----------------|--------------|
| Grants | 328,657 | 51.5 |
| Council Tax | 92,134 | 14.4 |
| Non Domestic Rates | 84,262 | 13.2 |
| Rents | 63,656 | 10.0 |
| Fees & Charges | 69,267 | 10.9 |
| Total | 637,976 | 100.0 |

What the Money is spent on:

| | £'000 | % |
|----------------------|----------------|--------------|
| Employees | 264,095 | 41.5 |
| Capital Financing | 58,260 | 9.1 |
| Operating Costs | 314,433 | 49.4 |
| Transfer to balances | 1,188 | 0 |
| Total | 637,976 | 100.0 |

Capital Expenditure 2004/05

The Council spent over £134m on its capital programme in 2004/05, the largest amount ever on capital activities. The programme underpins the Council's objectives and provides for investment in long term assets to deliver the Council's services. The largest spending area (£78m) was year 3 of the 5 year arms length management organisation (Wigan and Leigh Housing (WALH)) Housing Programme to renovate the Council's housing stock to the Government's decency standard. Other significant spending areas of spend included investment in schools (£16.2m) and highways (£8.0m). The Council also invested in aids and adaptations for disabled persons (£2.9m) and a programme of capital repairs to maintain the fabric of Council buildings (£2.2m).

The original capital programme in 2004/05 amounted to £111m but increased during the year due to the addition of a further £31m on the WALH programme.

A number of projects had expenditure re-phased into 2005/06 and future years :-

- Schools Access Initiative
- Shevington High – Additional accommodation
- Hindley new school
- Fred Longworth – additional places
- New Opportunities for PE & Sport
- Neighbourhood Road Safety Initiative
- Market St Atherton
- Wigan to Leigh QBC
- Breaston Bridge – Warrington Rd / a574
- A580 East Lancs Road – detrunking
- Amberswood Phase 3
- Industrial Units Gibfield Park Atherton
- Westwood Park Phase 2
- Wigan Pier Quarter development
- Office / Ind Units Leigh Commerce Park
- Social Care -Mental Health LIFT scheme

The Council spent money on the continuing Single Regeneration Budget programmes, Wigan's Regeneration Working Together and Wigan's Regeneration Fund (combined total of £ 2.8m) as well as the Neighbourhood Renewal Fund programme (£ 2.5m).

Prudential System of Capital Financing

The Local Government Act 2003 introduced the prudential system of capital financing from the 1 April 2004. This replaced the previous system of credit control which had been in place since 1990. The essential difference is that under the new regime the Council is now free to borrow to finance its capital expenditure as long as the plans are prudent, sustainable and affordable. In addition the system requires the Council to determine its underlying need to borrow in order to finance its capital activities by calculation of the Capital Financing Requirement. This balance sheet derived calculation means that all expenditure and income on capital is accrued in exactly the same way as revenue. Until 2004/05 capital creditors were not financed in year and this meant that for 2004/05 creditors from 2003/04 were financed (£1.4m) as well as 2004/05 (£4.6m).

The system also requires that performance measures, known as prudential indicators are calculated and reported to members of the council on a regular basis. These include an illustration of the marginal effect of prudential borrowing in any year on council tax and council house rents, ratios of capital financing costs to net revenue and treasury management indicators.

Other Matters

The Council holds 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. However we are planning for further improvements as we and the Audit Commission set ever higher standards for the forthcoming year.

Schools have responsibility for their budgets and are allowed to carry forward their own balances. In 2004/05 the cumulative balances held by the schools have increased by £0.398m and now stand at £6.371m. These balances are not available to the Council.

Following a change in accounting practice a reserve has been created to fund previously unaccrued interest relating to loans taken out prior to 1986. Following an assessment of the expenditure that these loans have been used to finance £2.182m of the £4.262m total has been deemed to relate to the Housing Revenue Account, with the remaining £2.080m relating to the General Fund. The creation of this reserve has been treated as a prior period adjustment and has been accounted for by restating the opening balances at 1 April 2004.

A review of the period over which Government grants used to finance capital expenditure have been written off to the Revenue Account has led to a further £0.952m of grant being written off. This write down relates to 2003/04 and has been reflected in the Statement of Accounts as a prior year adjustment by restating the 2003/04 comparative figures.

Pension Liability

The application of Financial Reporting Standard (FRS) 17 has resulted in a pension liability of £176m 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 Councils revenue balances. Further details are set out in the accounting policies section of this document.

Housing Revenue Account (HRA)

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 2004/05 financial year with a surplus of £5.4m and closed with an accumulated surplus of £10.7m.

Major changes in accounting practice for 2004/05 included the transfer for the accounting for Rent Rebates from the HRA to the General Fund and the removal of the statutory requirement to make a provision for the repayment of HRA debt. However, in the interest of prudence, Wigan Council made a £2.8m voluntary provision for the repayment of HRA debt in 2004/05.

On 1 April 2002 Wigan & Leigh Housing (WALH), assumed responsibility for the management of 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.

WALH was subject to an independent Best Value inspection during 2002-03 and was awarded two star status. This accreditation gave the Council the approval to borrow additional funds to invest in housing stock refurbishment to meet the Government's Decent Homes target. Between 2002/03 and 2004/05 Wigan Council used £97.8m of the additional borrowing approvals with a further £39.5m planned for the 2005/06 financial year. This will bring the additional supported borrowing approvals to the maximum Government allocation of £137.3m. In February 2005 Wigan & Leigh Housing were subject to a re-inspection and were successful in retaining their two star status.

In 2004/05 we used £31.6m from the Major Repairs Reserve to provide additional funds for housing stock refurbishment. At 31 March 2005 the Major Repairs Reserve has an unspent balance of £6.5m. 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 31 March 2005 is £13.362m a proportion of which is required for revenue and capital investment support in future years.

Financial Outlook

Protests and media interest in those protests has raised the profile of Council Tax rises particularly in southern England. Partly in response, last year the Government commissioned a Review looking at the issue of the balance of funding between central and local government. Government effectively funds 75% of local government spending; local authorities would like a more even split.

The Review also looked at alternative sources of funding for local authorities in particular the return of the business rates to local control and a local income tax. The Review concluded that Council Tax should be retained but reformed, and that while returning business rates to local control and using local income tax as a supplement to Council Tax had merit, there were practical difficulties that should be explored.

Revaluation of properties for the Council Tax bands will take place in 2005 with implementation in 2007/8. The Government is anxious that bills don't rise too steeply as a result, but in Wigan we want to ensure that the system is fair relative to London and the South East and that no special concessions are made. The Government has therefore decided to commission a further independent review of these issues, which is due to report at the end of 2005.

In the meantime, the Government has acted to keep Council Tax rises down in 2005/6 within low single figures. Eight Councils are having their budgets capped in 2005/6. There is no longer an exemption for high performing councils. The Chancellor has announced his spending proposals for the period 2005/6 – 2007/8; this has been followed by a series of announcements covering education, crime and disorder, and transport.

The most important announcement for Wigan Council is that from 2006/7 schools budgets will be funded by a ring fenced central government grant. The role of Councils in education will change. Out of our net spend of £338m schools spend £153m (45%). At the same time an Audit Commission enquiry has concluded that Councils were not responsible for the "widespread funding crisis" in 2003, indeed, they argued there wasn't one. "Government action was prompted by perception and assertion rather than accurate information."

The Government wishes to direct more resources into Children and Adult Social Services, but with this will come new responsibilities. Increased financial provision for Highways Maintenance, Environmental Protection and Cultural Services is below the level of inflation. In terms of our own budget we face pressures with:-

- The increase in referrals to our Social Services of people (mainly children) in need or at risk.
- Changes in the population, particularly the increasing proportion of the population who are elderly and infirm.
- The increased costs of pensions and therefore the employer's contribution towards them.
- The understandable demands of local people for greater action to be taken to reduce criminal and anti-social behaviour.
- Raising aspirations and expectations about environmental quality, including waste recycling and cleanliness standards.
- And, importantly, the desire of the Cabinet and Central Government to see moderate increases in Council Tax levels.

There may be some technical things that we can properly do to help our revenue budgets. The new system of prudential borrowing may help us, together with some re-phasing of capital schemes, to reduce the contribution to capital programmes that we make from our revenue budgets.

Underlying the Government's plans is a drive for greater efficiency in the public sector. For local authorities they are seeking efficiency savings of 2.5% p.a. to deliver £6.45bn of efficiencies and improved productivity implemented by 2007/08.

This is based on local government gross expenditure of around £85 billion.

Half of these savings will be cashable, releasing resources to front line services. The Office of the Deputy Prime Minister and other Government departments will work with the Local Government Association to help secure these efficiencies. The Regional Centres of Procurement Excellence will have a significant role to play in identifying savings from aggregating demand and the rationalisation of back office and transactional services.

Concluding Remarks

The Council remains committed to use all its resources – financial, human and material, for the maximum benefit of its residents. Sound financial management in 2004/05 has helped with this objective.

This year marks a further 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 to the end of July. In 2005/06 the accounts must be approved by Members by 30 June and published by 30 September 2006. This remains a considerable challenge for all involved in the financial management of the Council. My thanks are due to all concerned in this year's efforts to meet the shorter timetable whilst maintaining the quality of reporting and presentation.

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.

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.

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

For 2004/05 the inspection dates are between 22 August 2005 and 19 September 2005 inclusive. The appointed day for raising queries with the External Auditors is 20 September 2005.