

# Introductory Statements

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## **FOREWORD by Cllr Terry Halliwell Cabinet Member with responsibilities for Organisational Change, Resources and Commissioning.**

Once more I am pleased to introduce the statement of accounts for Wigan Council. The production of the statement of accounts as quickly as possible after the 31st March each year helps show the Council's commitment to full and proper stewardship of public funds.

The 2006/07 financial year should be seen as another successful one in the context of the service pressures facing the Council during the year for instance on Adult Services and Waste Recycling Targets. In setting the budget for 2006/07 the Council's strategy was to build upon Government priorities as expressed through the annual Comprehensive Spending Review and Revenue Support Grant Settlement but to also respond to the concerns of residents as expressed in consultation exercises. The medium term financial strategy being a balanced budget with no structural funding deficit. Prudent financial management and operational efficiencies across a range of service areas during 2006/07 have led to an improved position in balances and this result is to be welcomed. The Council has continued to be able to match the increasing demands for services with its financial resources and potential increases in Council Tax.

One of the purposes of the Statement of Accounts is to show local people what services have cost and how the funding for these services has been provided. These accounts include a Statement of Internal Control to assure you of the care we take with your money. The delivery of services to all our citizens at a cost they can afford remains one of our essential priorities. Inevitably affordable growth and inescapable cost pressures go together with sound financial management practices.

As stated the views of local people play an important part in determining service levels. For instance we have established a network of townships across the borough to strengthen our engagement with local communities and these are valuable in giving feedback and views as to how we prioritise services and spending. Similarly it is important that financial reporting and publications such as this are meaningful and can be read easily. Any suggestions to improve the content and quality of the Statement of Accounts should be sent to our Director of Finance and IT.

The Council has for a number of years actively pursued and achieved the top excellent status awarded under the Comprehensive Performance Assessment (CPA). An important part of that assessment is the Use of Resources (UoR) and I am pleased that our score under the UoR assessment was in the top category despite the criteria for assessment becoming more demanding each year and requiring higher standards to be achieved. The Council's performance is subject to internal and external review and consistently the outcome of these reviews shows the Council has done well. In addition all Councils are required to identify efficiencies to meet the 2.5% year on year target set by the Government and the Council has delivered on this target.



The Audit Commission have recently reported that the Council has a strong record of improvement with excellent progress in economic regeneration, reductions in poor quality housing and success in reducing crime and disorder and the number of young people who re-offend. The report also acknowledged that the Council has effective political and managerial leadership and strong partnership working. A further strength was that value for money is good and staff and finances are managed well to ensure future plans can be delivered. What this adds up to is that Wigan remains an efficient, low spending Council. In that context I must thank my fellow Members, especially those on the Cabinet, for the way in which the overall budgets have been monitored and controlled.

I always like to finish by thanking the Director of Finance and IT and all the staff of his department for their hard work and dedication throughout the year. As stated sound finances are the key to sustained development and improvement in service levels and delivery.

Councillor Terry Halliwell  
September 2007



## **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's activities for the year ended 31st March 2007 and have been prepared in accordance with the requirements of the Accounting Codes of Practice published by the Chartered Institute of Public Finance and Accountancy (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 2006/07 are set out on pages 8 to 106 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 Income and Expenditure Account which summarises the Council's day to day revenue income and expenditure on all services during the financial year 2006/07.
- The Statement of Movement on the General Fund Balance which reconciles the Income and Expenditure Account with General Fund Balances.
- The Statement of Total Recognised Gains and Losses which brings together all the recognised gains and losses of the Council.
- The Balance Sheet which sets out the overall financial position of the Council at 31 March 2007.
- The Cash Flow Statement which summarises the total movement of cash and cash equivalents.
- The Housing Revenue Account which separately summarises the transactions relating to the Council's housing stock.
- The Collection Fund which separately summarises the transactions in relation to National Non-domestic Rates and Council Tax.
- The Group Accounts which comprise the consolidated accounts of the Council and its interests in subsidiaries and associate companies.
- 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 Statement on Internal Control and the System of Internal Financial Control which reviews the effectiveness of the Council's system of internal control.



## Significant Accounting Issues

The Statement of Accounting Practice (SORP) 2006 has introduced a number of changes. Whilst the changes are mainly technical and presentational and do not impact on the level of balances reported they do change the way the figures are reported. The main changes being :

- The removal of the need to make a charge for the cost of capital means that notional interest of about £41m will no longer be charged to services.
- A requirement to allocate previously centrally held deferred government grants to services
- A new Income and Expenditure Account replaces the Consolidated Revenue Account
- A new supporting Statement of Movements on General Fund Balance
- The introduction of a Statement of Total Recognised Gains and Losses to replace the Statement of Movement on Reserves

The scope of these changes has resulted in a requirement to restate the 2005/06 accounts into a new structure, in effect repackaging the previous statements into what is now being described as single entity accounts. The impact of the changes produces a deficit of £4.6m on the newly created Income and Expenditure Account. The actual surplus for the Council is £0.161m which is reconciled back in the supporting Movement on General Fund Balance Statement.

## Revenue Expenditure in 2006/07

As stated the actual surplus is £0.161m and an overall comparison of the actual position for 2006/07 compared with the budgeted figures for the financial year is set out below.

	Original Estimate £'000	Actual £'000	Variations £'000
Net Position on Services	193,741	192,328	-1,413
Passenger Transport Levy	17,554	17,554	-
Receipts from Council Tax, Business Rate and Rate Support Grant	-210,095	-210,043	52
<b>Total Surplus(-)/Deficit for the year</b>	<b>1,200</b>	<b>-161</b>	<b>-1,361</b>

The net improvement of just under £1.4m is not material by itself but it contains a number of significant offsetting items within it. The potential liability of £8.5m for equal pay compensation and associated costs has been included in the outturn. Funding came from a reduction in external interest charges of £1.9m, performance reward grant of £2.6m, an airport dividend received of £1.3m, slippage on the capital financing requirement of £0.9m, a non-requirement to purchase waste allowances of £0.5m and the receipt of £0.3m from the business growth incentive initiative.



Further net savings from operational departments provided the balance and certain programme areas underspent such as the Brighter Borough Initiatives and specific IT projects and these will be carried forward to spend in 2007/08.

The saving from operational departments are spread across a large range of budget areas. They are a mixture of improved income collection rates, additional grant and savings in employee and running expenses demonstrating a commitment to the efficiency agenda, continuous improvement and value for money. Collectively all the departments have helped to fund the pressures in Adult and Children's services.

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	378,659	53.4
Council Tax	101,499	14.3
National Non Domestic Rates	91,064	12.8
Rents	67,075	9.5
Fees & Charges	70,832	10.0
<b>Total</b>	<b>709,129</b>	<b>100.0</b>

#### What the Money is spent on:

	£'000	%
Employees	291,319	41.1
Capital Financing	66,049	9.3
Operating Costs	351,600	49.6
Transfer from balances	161	0
<b>Total</b>	<b>709,129</b>	<b>100.0</b>

#### Capital Expenditure 2006/07

The Council spent over £98m on its capital programme in 2006/07. 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 areas for 2006/07 were :-

- the continuing Wigan and Leigh Housing (WALH) Housing Programme of £31.3m to renovate the Council's housing stock to the Government's decency standard.
- the Children and Young Persons programme of expenditure (£18m) on school buildings including the pre school Surestart projects.
- the Leigh Sports Village project (£14m)

The Council's other major investment areas were highways improvements and maintenance (£7.5m), Westwood Park infrastructure (£3.6m), aids and adaptations for disabled persons (£2.0m) and a programme of capital repairs to maintain the fabric of Council buildings (£2.6m).



A number of capital projects spent less than originally planned in 2006/07 and expenditure on the following has been re-phased into 2007/08 and future years:

- Vehicle Replacement Programme
- Schools programme – Emotional Behavioural and Social Difficulties Review
- Hindley Green Junior & Infants - Single site
- Sure Start Future Programme
- Trencherfield Mill Redevelopment
- Ince Contaminated Land Remediation
- Schools Programme - Devolved Capital Community Schools
- Wigan Pier Quarter Redevelopment
- Wigan to Leigh Quality Bus Corridor
- Route Protection to A5225 (Access Wigan)
- Platt Bridge New School
- Marsh Green - Reduction to 1 form entry

The Council spent money on a number of government supported programmes (these were a combination of a large number of capital and revenue based schemes). They were the Single Regeneration Budget programmes, Wigan's Regeneration Working Together, North West Coalfield Communities and Wigan's Regeneration Fund (combined total of £4.3m) as well as Safer Cleaner Greener Projects (£0.9m) and Neighbourhood Renewal Fund programme (£3.5m).

### **Other Matters**

The Council has held an 'excellent' rating under the Comprehensive Performance Assessment (CPA) criteria for a number of years. This independent assessment of the Council's achievements is very much welcomed. More pleasing from a financial viewpoint is the fact that once again, under the Use of Resources element, the Council has been able to successfully meet the harder criteria and achieved the top score of 4 overall doing particularly well on financial management and internal control.

Schools continue to have responsibility for their budgets and can carry forward their own balances. In 2006/07 the cumulative balances held by the schools have increased by £0.012m and now stand at £6.965m. These balances are not available to the Council.

Under Accounting Policies a number of minor changes have been made to capital related areas but these are not viewed as material and so no restatement to the prior year has been made. However prior year restatements have proved necessary because of the material amounts involved for the removal of notional interest of £41m from services and the requirement for the allocation of previously centrally held deferred government grant of £9.4m direct to services as part of the statutory newly introduced single entity statements. There is no impact on the General Fund Balances as a result of these changes.



The Council maintains an Insurance Fund to meet losses which are not insured commercially and provisions are required to meet risks and set aside funds to recognise this potential liability. The provision has been reviewed and the amount currently being carried forward is £13.3m.

The Council also acts on behalf of all the councils in the North West as the accountable body for the North West Improvement Network (NWIN), a separate organisation with its own constitution. NWIN is seeking to develop capacity to support the long term sustainable improvement for local authorities using funding provided by the Government. To date funds of £5.4m (out of an available £7.9m) have been released to the Council and this is being used to fund a variety of spending programmes across the region.

### **Financial Reporting Standard 17 (FRS17)**

The application of Financial Reporting Standard (FRS) 17 requires employers to report the full cost of pension benefits as they are earned regardless of whether they have been paid for and the fact that they may not be due and payable for many years. This has resulted in a pension liability of £150m (a reduction from £190m due to improvements in investment returns and changes in actuarial assumptions) shown in the 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.

### **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).

From 2007/08 onwards the HRA Statement of Accounts now has two parts; HRA Income and Expenditure Account and Statement of Movement on the Housing Revenue Balance. The Income and Expenditure Account details the surplus or deficit for the year on HRA services, in the main this excludes capital expenditure funded by the HRA, transfers to and from the Major Repairs Reserve and gains or losses from the sale of fixed assets. The Income and Expenditure Account for 2006/07 details a surplus on HRA services of £9.8 million compared with £15.2 million in 2005/06.



The HRA commenced the 2006/07 financial year with a surplus of £10.8 million. An increased revenue contribution to the Decent Homes Programme and a reduction in the receipt of subsidy contributed to the accumulated surplus at the end of the financial year reducing to £4.3 million. This represents the final surplus position after the entries within the Statement of Movement on the Housing Revenue Account have been accounted for.

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 for the following 3 financial years.

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 used the maximum £137.3 million Government allocation of additional borrowing approvals awarded to the Council following Wigan & Leigh Housing's successful accreditation as a two star service under the Best Value Inspection Regime.

In 2006/07 a £13.2 million contribution from the Major Repairs Reserve was used to provide additional funds for housing stock refurbishment. At 31<sup>st</sup> March 2007 the Major Repairs Reserve has an unspent balance of £2.6 million. 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 2007 is £21.489m and a proportion of this is required for revenue and capital investment support in future years.

### **Financial Outlook**

The Council has published a Medium Term Financial Strategy for 2007/08 – 2009/10 which sets out the overall shape of the Council's budget. The strategy provides an opportunity to review objectives, reassess priorities and re-examine the way in which service delivery is currently achieved. The completion of the Government's Comprehensive Spending Review (CSR07) later this year will give more certainty about the Formula Grant entitlement in future years. The intention is then for the Council to develop three year departmental plans.

As the emphasis now is on grant distribution based on affordability and a capping regime to prevent excessive Council Tax increases the Council has responded by seeking to manage its financial affairs within these parameters. A budget challenge process has been developed under which growth, service pressures, savings and scenario submissions have been prepared and considered within the Council's approved budget framework. This framework brings in the views of citizens, stakeholders and partnerships and the wider membership.



Funding the Council's Capital Programme remains an important part of the Revenue Budget strategy and the Council has a commitment to long term investment in the Borough. 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 Chancellor of the Exchequer has already set a 3% cashable efficiencies target for the next Comprehensive Spending Review (CSR), signalling 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 Council is looking at its departmental management structure and new ways of working, particularly in the areas of collaborative working and shared services.

In overall terms the strategy is to ensure a balanced budget with no structural deficit and to ensure a prudent level of balances is maintained during the planning period. However, the capital programme currently shows a deficit of resources that may need to be funded from reserves or further asset sales in later years.

Finally, the Council publishes a number of plans which make explicit the link between its financial planning horizons and its service plans. These plans are available in hard copy and on the Council's Web site. Principal among these is the Corporate Plan and this is underpinned by Departmental Service Plans which contain service objectives, priorities, performance targets and resources.

### **Concluding Remarks**

The Council is committed to sound financial management. This has been demonstrated by the operational efficiencies achieved in 2006/07 over and above those planned, by effective budget management by departments during the year, other strategic financial initiatives have helped with the improvement in balances. However, as always risks remain to be managed for instance around the council wide process of job evaluation and some of our major capital projects.

The early completion and publication of the Accounts is a key measure of financial stewardship and governance and in an ever changing accounting framework achieving the 30th June 2007 deadline represents a considerable challenge and my thanks are due to all the staff who have contributed to this achievement.

As the Statement of Accounts is intended to give the reader clear information about the Council's finances I would as always welcome any comments that help to make it easier to read and there is a questionnaire to help towards this at the end of the publication.



### **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 after that date.

Interested members of the public have a statutory right for 20 working days to inspect the accounts before the audit is completed. For 2006/07 the inspection date will start in July and the appointed day for raising queries with the External Auditors will be 20<sup>th</sup> August 2007.

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



## Statement of Accounting Policies

The purpose of the statement is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. This statement explains the policies used to ensure the Council's financial position is fairly presented.

The accounts have been prepared in accordance with the relevant statutory requirements and the Code of Practice on Local Authority Accounting in Great Britain, published in 2005 by the Chartered Institute of Public Finance and Accountancy (CIPFA). They comply with the relevant Statements of Standard Accounting Practice (SSAP's) and Financial Reporting Standards (FRS's) where these apply to local authority accounts, according to the guidance notes issued by CIPFA.

### Tangible Fixed Assets

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis provided that it yields benefits to the council and the services that it provides for more than one financial year. A de minimis level of £6,000 is in place for the capitalisation of expenditure for repairs. This excludes expenditure on routine repairs and maintenance of assets which is charged to revenue as it is incurred.

Fixed Assets are valued on the basis recommended by CIPFA and in accordance with guidance issued by the Royal Institute of Chartered Surveyors (RICS). They are classified as follows:

- Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value.
- Non-operational assets including Investment properties and assets surplus to requirements are included in the balance sheet at the lower of the net current replacement cost or net realisable value.
- Infrastructure assets, vehicles, plant and equipment and community assets are included in the balance sheet at depreciated historical cost. Where historical cost is not available, a nominal value of £1 per item has been used.
- Council dwellings are included in the balance sheet at a value based on existing use value for social housing. Other assets previously acquired under a deferred purchase scheme are recognised and included in the balance sheet at their fair value.

Assets in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Fixed Asset Restatement Account to recognise unrealised gains. The only exception to our valuation policy relates to land at Manchester Airport that is included in our balance sheet from a valuation provided by Manchester City Council's Valuer in 2005/06 based on the market value of this land.



### **Intangible Fixed Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the council e.g. software licenses is capitalised when it will bring benefits to the council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

### **Depreciation**

The useful lives of assets are estimated on a realistic basis and reviewed on a regular basis and where necessary revised. All fixed assets are depreciated over their useful economic 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 according to the following policy:

- Newly acquired assets with the exception of vehicles, plant and equipment are depreciated in the year following acquisition and assets under construction are not depreciated until they are used.
- Newly acquired vehicles, plant and equipment are depreciated in the year of acquisition on a pro-rata basis.
- Depreciation is on a straight-line method over the following periods:

Depreciation is calculated on the following bases:

Housing Stock:	Equivalent to the Major Repairs Allowance
Other Buildings:	Over remaining estimated life of asset
Freehold Land:	Not depreciated
Vehicles, Plant and Equipment:	Between 3 and 7 years or over remaining estimated life
Highways:	25 years
Bridges:	60 years
Community Assets:	Not Depreciated
Non-Operational Assets:	Mostly not Depreciated

Where an asset has major components with different estimated useful lives, these are depreciated separately.

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets on the relevant service revenue account, in line with the depreciation policy applied to them.



### **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 attributable to the clear consumption of economic benefits, the loss is charged to the relevant service area account.
- Where otherwise, the loss is written off against the Fixed Asset Restatement Account.

### **Capital Charges to Revenue**

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year;

- Depreciation attributable to the assets used by the relevant service.
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service.
- Amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the Capital Financing Requirements, excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Financing Account.

Capital financing charges (Notional Interest) for the use of fixed assets are no longer made to service revenue accounts as per the Code of Practice on Local Authority Accounting 2006 Statement of Recommended Practice (SORP). The charge made to the HRA is in the main an amount equivalent to the Major Repairs Allowance awarded by central government.

### **Deferred Charges**

A deferred charge is capital expenditure which does not result in the creation of a tangible fixed asset. Such expenditure, together with any matching grant income, has been written off to the relevant service revenue account. This write-off is offset by a matching transaction from the Capital Financing Account so there is no impact on the level of Council Tax.



### **Capital Receipts**

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss of the asset.

Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable 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 Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against council tax as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Financing Account from the Statement of Movement on the General Fund Balance.

### **Redemption of Debt**

The Council administers a loans pool which includes all loans raised by the Council. Provision is made for principal repayments by charging a Minimum Revenue Provision (MRP) as well as voluntary repayments. The MRP is based on a percentage of loans outstanding of 4% for General Fund. From 1st April 2004 it was no longer mandatory to charge a 2% MRP for Housing Revenue Account debt, and during 2006/07 no charge was made.

### **Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant / contribution, providing that there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred.

Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant ) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

### **Leases**

Rentals payable under operating leases are charged to service revenue accounts.



### **Debtors and Creditors**

The accounts of the Council are maintained on an accruals basis which means that amounts due to or owed by the Council are included, whether or not the cash has actually been received or paid in the year. For revenue transactions a materiality threshold of £1,000 is in place. For capital contract payments a £10,000 threshold has been adopted.

### **Intangible Current Assets**

Landfill Allowance Trading Scheme: Landfill Allowances are categorised as intangible current assets which is in line with the recommended practice as prescribed in the SORP 2006. Previously these allowances were reported under stock on the balance sheet.

### **Work in Progress, Stocks and Stores**

Work in progress, slower moving and obsolete stocks and stores are included in the accounts at the lower of cost or net realisable value. For higher turnover, values are recorded at either average price or latest invoice price.

### **Cost of Support Services**

In accordance with CIPFA recommended practice, Support Services have been recharged across all services on the basis of time allocations, area occupied or actual usage, depending upon the nature of the costs.

The costs of the Corporate and Democratic and Non-Distributed costs as defined by CIPFA's BVACOP are allocated to separate objective expenditure heads and are not apportioned to other divisions of service. These items are disclosed in the Income and Expenditure Account.

### **Provisions**

Provisions are sums set aside in respect of liabilities existing at the 31st March which are likely or certain to be incurred but their amount cannot be determined accurately. The use of provisions is included in the cost of services.

### **Reserves**

Reserves are sums set aside out of the balances of the Council. Reserves are not included in service expenditure and are shown separately in the Consolidated Revenue Account and in the Notes to the Accounts.

### **Insurance Fund**

The Authority makes annual contributions from revenue into an Insurance Fund and appropriate claims settlements paid by the Authority are charged to this Fund.



## **Pensions**

The Council contributes to two different pension schemes. There is an unfunded Teachers Pension scheme and for other staff there is a funded Local Government scheme.

In accordance with proper practices the council has within its statement of accounts for 2006/07 adopted in full the Financial Reporting Standard (FRS) 17. The FRS 17 represents a very substantial change in the way that retirement benefits are accounted for as it requires the Council to account for retirement benefits when it is committed to give them even if the actual giving will be many years in the future.

### **Defined Benefit Scheme**

A defined benefit scheme is a pension scheme where retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits. The Local Government Scheme is classified as a defined benefit scheme. For these schemes the FRS 17 requires recognition of the net asset/liability and a pension reserve in the Balance sheet and transactions in the Income and Expenditure Account for movements in the asset/liability.

### **Defined Contribution Scheme**

A defined contribution scheme is a pension scheme where the employer pays fixed amounts into the scheme and has no obligation to pay further amounts if the scheme does not have sufficient assets to pay employee benefits. The Teachers Pension Scheme is a defined benefit scheme. However, as it is not possible for the Council to identify its share of the underlying liabilities then for the purpose of this statement it is classified as a defined contribution scheme. For these schemes FRS 17 requires that the pension cost reported for the year is equal to the contributions payable to the scheme for the accounting period. However, any unfunded discretionary benefits within such schemes are to be accounted for in the same way as defined benefit schemes

In assessing the liabilities for retirement benefits at 31st March 2007 for the 2006/07 Statement of Accounts, a rate based on the current rate of return on high-quality corporate bond of equivalent currency and term to scheme liabilities is to be used. The actuary has advised that a rate of 2.1% real (5.4% actual) is appropriate. The rate used in 2005/06 was 1.7% real (4.9% actual).

## **Contingent Liabilities**

Contingent Liabilities are not accrued in the accounting statements. They are disclosed by way of the notes to the accounts (Note 47) if there is a possible obligation, which may require a payment or transfer of economic benefits.

## **Investments**

Investments are shown in the balance sheet at original cost, less any provision required for a permanent reduction in value.

**Internal Interest**

Interest is given to the Housing Revenue Account and the Insurance Fund, based on the level of their Fund Balance.

**Related Companies**

The Council has interests in other companies. Details of these and the nature of the relationship are shown in the notes to the Balance Sheet.

**Group Accounts**

The Council has a controlling interest in three companies, namely:

Wigan and Leigh Housing Limited

Wigan Metropolitan Development Company Limited (Group)

Leigh Sports Village Limited

In accordance with the disclosure requirements of FRS 2 – Accounting for Subsidiary Undertakings, a set of consolidated financial statements have been prepared and are included in the Group Financial Statements section on pages 70 to 78 later in this document.

The required statements include a Group Income and Expenditure Account, Reconciliation of the Single Entity Surplus or Deficit for the Year to the Group Surplus or Deficit, Group Statement of Total Recognised Gains & Losses, Group Balance Sheet and a Group Cashflow Statement

**VAT**

VAT is included in the expenditure and income only to the extent that it is irrecoverable.