



## Statement of Accounts 2005 -2006

### GROUP FINANCIAL STATEMENTS

#### Introduction

The 2005 Accounting Code of Practice requires Local Authorities to consider all their interests and where they have a material interest in subsidiaries, associates and joint ventures a full set of group accounts is required. The aim of these statements is to provide an overall picture of the Council's financial activities and the resources employed in carrying out those activities.

For 2004/05 the requirements for inclusion in and the preparation of Group Accounts was amended. The disclosures required were quite complex and transitional arrangements were available to allow authorities to prepare for this substantial undertaking. The Council utilised these arrangements for 2004/05 and have complied fully for the 2005/06 Statement of Accounts.

As part of the transitional arrangements for 2004/05, those Authorities choosing to utilise these arrangements were required to provide comparative figures for 2004/05 when completing the group statements for 2005/06.

#### Accounting Policies

The accounting policies adopted for the production of the group statements are in line with recommended practice and in the main follow those that apply to the Council's primary statements. However, under the group accounts regime certain policies differ from those applicable to the Council's primary statements, these differences are disclosed below;

- In order to comply with UK GAAP (Generally Accepted Accounting Practice), Notional Interest which is charged to the services contained within the revenue account, must be removed and reversed out.
- In addition, the amortisation of government grants must be added to services. The Statement of Recommended Practice (SORP) has an option whereby the accounting for government grants may be shown as a single credit after the total service costs but before the net cost of services. However, this should only be used where it is impracticable to apportion such grant amortisations. The Council has used this option for the 2005/06 amortised amounts.
- Any profits or losses arrived at on disposals of fixed assets must be included in the figures for the appropriate service in the group revenue account. There were no items of this nature in 2005/06.
- Alignment of accounting policies includes alignment of valuation policies for fixed assets. It may be necessary to assign current values to the fixed assets of subsidiaries. These valuations would need to be carried out in accordance with the Statement of Recommended Practice.

The Council's operational and non-operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value, with the exception of infrastructure and community assets, which are valued at historical cost net of depreciation. Wigan Metropolitan Development Company Assets are stated at purchase cost. Whilst the SORP requires a revaluation of fixed assets in order to realign the accounting policies of subsidiaries, the impact of any such revaluation on the assets held by the Wigan Metropolitan Development Company is not expected to be material. Therefore, those assets have not been subjected to a revaluation exercise for the inclusion in the 2005/06 Group Statements.

- Subsidiaries have been consolidated on a line by line basis.
- FRS 17 Accounting for Pensions.

Companies are only required to comply with FRS 17 requirements from 2005/06 however, for comparative purposes FRS 17 entries should be accounted for in the 2004/05 figures. This requirement has been adopted for the Wigan & Leigh Housing Company Ltd. Wigan Metropolitan Development Company Ltd participates in the Greater Manchester Pension fund which is a defined benefit scheme however, it is unable to identify its share of the underlying assets and liabilities. Therefore, the scheme is treated as a defined contribution scheme for the purposes of the group statements.



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### **The Wigan Council Group**

The Council has relationships with a number of companies over which it has varying degrees of control or influence. However, it has been assessed in line with accounting requirements that only three companies are to be included in the Group Statements contained within. It should be noted that the Council also has a controlling interest in the Xanadu (Pleasure Dome) Ltd company. However this company is dormant and therefore not included in the statements.

Details of the other companies and their relationship with the Council are shown in the notes to the Consolidated Balance Sheet of the statement.

The three companies included in the group statements as Subsidiaries are :-

- Wigan and Leigh Housing Company Limited (WALH)
- Wigan Metropolitan Development Company Limited
- Leigh Sports Village Limited

### **Wigan and Leigh Housing Company Limited**

This is a company limited by guarantee. The Council is the sole member of the company and has the right to appoint 4 out of 12 Directors. The Company has a contractual relationship with the Council and is responsible for the management of the Council's housing stock.

The company returned a pre-FRS 17 profit of £12,451 and a loss of £459,549 post FRS 17 for the financial year 2005/06.

### **Wigan Metropolitan Development Company Limited**

This is also a company limited by guarantee. The Council is entitled to appoint 14 out of 17 members of the Company. The Company either directly or through its subsidiaries (Wigan Metropolitan Development Company (Property) Ltd and Wigan Metropolitan Development Company (Investment) Ltd manages offices and industrial units and promotes regeneration within the borough of Wigan.

The company returned a profit of £87,927 for the financial year 2005/06.

### **Leigh Sports Village Limited**

This is a company limited by shares. The Council is the only shareholder. The Company was formed at the end of 2004/05 and has not commenced trading. A business plan is being prepared indicating a commencement of trading and a reallocation of shares is intended, but with the Council remaining as majority shareholder in 2006/07.

The Company will commence trading for the purposes of managing sports facilities at the Leigh Sports Village site in 2006/07.

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### GROUP INCOME AND EXPENDITURE ACCOUNT

2004/05	Notes	2005/06 Gross Expenditure £'000	2005/06 Income £'000	2005/06 Net Expenditure £'000
1,748	Central Services to the Public	25,221	23,032	2,189
1,028	Court Services	412	21	391
44,659	Cultural, Environmental & Planning	70,902	26,867	44,035
171,515	Education Services	231,515	53,237	178,278
27,256	Highways, Roads and Transport	36,796	8,579	28,217
-17,596	Housing Services	90,400	112,438	-22,038
77,516	Social Services	131,786	50,426	81,360
6,943	Corporate and Democratic Core	8,115	702	7,413
2,882	Non Distributed Costs	1,903	2	1,901
-8,328	Government Grants Deferred write back to revenue	0	9413	-9413
<b>307,623</b>	<b>Net Cost of Services</b>	<b>597,050</b>	<b>284,717</b>	<b>312,333</b>
	Other Operating Income and Expenditure			
56	Parish Precepts			62
-73	Trading Account Balances	<b>1</b>		-1,324
25,597	External Interest	<b>4</b>		26,928
-4,617	Interest & Investment Income			-3,712
-4,501	Pension interest cost and expected return On pension assets			2,834
14,171	Contribution of Housing Capital receipts to Government pool			11,229
0	Taxation			3
<b>338,256</b>	<b>Net Operating Expenditure</b>			<b>348,353</b>
5,375	Transfers to/from (-) HRA Balances			-2
	Contributions to/from (-) Reserve funds			
398	- LMS Schools			582
-553	- Others			134
1,506	- Contribution to/from Pension Reserve	<b>5</b>		-3,453
-14,171	- Transfer from usable Capital receipts equal to the contribution to Housing pooled capital receipts			-11,229
136	Appropriations to Group Income and Expenditure reserve	<b>6</b>		100
	Contributions to/from(-) capital reserves			
-591	- Impairment			0
10,955	- Provision for Repayment of External Loans			8,106
-9,117	- Deferred charges			-7,128
4,276	- Financing of Capital Expenditure			13,486
<b>336,470</b>	<b>Amount to be met from Government Grants and Local Taxpayers</b>			<b>348,949</b>
	<b>Sources of Finance</b>			
-92,134	Council Tax Income			-97,016
-84,262	Non-Domestic Rate Income			-101,254
-161,262	Revenue Support Grant			-158,645
<b>-1,188</b>	<b>Net General Fund Surplus (-) / Deficit for the Year(+)</b>			<b>-7,966</b>
-12,174	General Fund Balances at beginning of the year			-13,362
-1,188	Add : Surplus(-) / Deficit for the year (+)			-7,966
<b>-13,362</b>	<b>General Fund Balances at the end of the Year</b>			<b>-21,328</b>

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## NOTES TO THE GROUP INCOME AND EXPENDITURE ACCOUNT

### 1. Re-alignment of Accounting Policies – Notional Interest

In order to comply with UK GAAP, the gross expenditure on services has been adjusted to remove the impact of notional interest charges. Details of the notional charges removed from services are shown below.

Service	Notional Interest Removed from Gross Expenditure £'000
Central Services to the Public	3
Court Services	0
Cultural, Environmental & Planning	2,505
Education Services	6,299
Highways, Roads and Transport	4,265
Housing Services	26,308
Social Services	571
Corporate & Democratic Core	8
Trading Account Balances	1,053
<b>TOTAL</b>	<b>41,012</b>

### 2. Non Distributed Costs

This heading includes costs of unused or obsolete IT facilities together with costs associated with past service costs of pensionable employees. The past service costs include the total for the Group as follows:

2004/05 £'000		2005/06 £'000
2,267	Wigan Council	1,854
118	Wigan & Leigh Housing Ltd	47
<u>2,385</u>		<u>1,901</u>

### 3. Re-alignment of Accounting Policies – Amortisation of Government Grants

In line with recommended practice amortisation of government grants needs to be included in the income of services. For 2005/06 the income is shown as a one line entry before Net Cost of Services as an apportioned split across service income was not practicable. (£9.413m).

### 4. Asset Management Revenue Account (AMRA)

The impact of the adjustment made in notes 1 and 2 effectively removes all entries present in the AMRA. The remaining item is in effect the external interest of £26.9m and is labelled as such under other operating income and expenditure.

### 5. Contribution to/from the Pension Reserve

Contributions to or from the pension reserve are accounting adjustments to ensure that there is no overall impact on the amount to be met from Government grants and Local taxation. Whilst the Statement of Recommended Practice (SORP) does not allow other group members to reverse out the effect of FRS 17 debits and credits on their profit and loss accounts, it does recognise that the impact of FRS 17 will remain neutral so that it reconciles with the amount to be met from Government grants and Local taxation. The reconciling entries are included under this heading.

### 6. Appropriations to/from Group Income and Expenditure Reserves

This represents the profit/surplus earned in the 2005/06 financial year that has been retained and transferred to the reserves of the group companies. The entry is a requirement to ensure that there is no change to the amount to be met from Government Grants and Local Taxpayers, i.e. it is Council Tax neutral.





## Statement of Accounts 2005 -2006

### NOTES TO THE GROUP BALANCE SHEET

#### 1. Intangible Assets

The Group of companies was set up by the Council, thus there is no Goodwill in this respect.

#### 2. Fixed Assets – Other Land & Buildings and Vehicles, Plant & Equipment

This figure includes the fixed assets of the Wigan Metropolitan Development Company Limited. The Wigan and Leigh Housing Company Limited holds no assets.

#### 3. Debtors & Payments in Advance

Debtors of the Group have been incorporated into this figure. In addition, intra group balances have also been removed.

#### 4. Investments

This figure includes investments held by the Wigan Metropolitan Development Company Limited.

#### 5. Creditors

Creditors of the Group have been incorporated into this figure. In addition, intra group balances have also been removed.

#### 6. Liability relating to Defined Pension Scheme / Pension Reserve

This figure includes the recognised net pension liability for the Wigan Council Group, it is matched by a pension reserve. The Liability shown in this case relates to :-

2004/05 £'000		2005/06 £'000
176,052	Wigan Council	190,934
7,232	Wigan & Leigh Housing Ltd	9,472
<b>183,284</b>		<b>200,406</b>

It should be noted that whilst Wigan Metropolitan Development Company Ltd participates in the Greater Manchester Pension fund, which is a defined benefit scheme, it is unable to identify its share of the underlying assets and liabilities. Therefore, the scheme is treated as a defined contribution scheme for the purposes of the group statements.

#### 7. Provisions

Include the single entity provisions contained in the main statements in the notes to the Consolidated Balance Sheet together with a deferred tax provision of £0.104m from the WMDC.

#### 8. Earmarked Reserves and General Fund Balances

As part of consolidating the Wigan Council Group any intra group transactions need to be removed. In this instance, the Council made a contribution from balances of £2.0m to the WMDC, this transaction has been eliminated from the statement. In the event of the company winding up, the company is required to repay the Council, to the extent that the resources are available, the full value of the contribution.



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### NOTES TO THE GROUP BALANCE SHEET

#### 9. Income and Expenditure Reserve

This represents the accumulated reserves of the Wigan Council Group as follows :-

2004/05 £'000		2005/06 £'000
1,419	Wigan Metropolitan Development Company Limited	1,453
17	Wigan & Leigh Housing Limited	29
<u>1,436</u>		<u>1,482</u>

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### GROUP CASH FLOW STATEMENT

2004/05 £'000		Notes	2005/06 £'000	2005/06 £'000
-49,477	<b>Net Cash Inflow From Revenue Activities</b>	1		-74,102
	<b>Returns on Investments and servicing of finance</b>			
	<b>Cash outflows</b>			
26,013	Interest Paid		27,321	
	<b>Cash inflows</b>			
-4,487	Interest Received		-3,449	
<u>-27,951</u>	<b>Net Cash Outflow From Servicing of Finance</b>			<u>-50,320</u>
20	<b>Taxation</b>			27
	<b>Capital Activities</b>			
	<b>Cash outflows</b>			
117,911	Purchase of Fixed Assets		118,339	
12,704	Deferred Charges		13,451	
<u>130,615</u>				<u>131,790</u>
	<b>Cash inflows</b>			
-26,698	Sale of Fixed Assets		-20,342	
-23,017	Capital Grants Received		-21,121	
-481	Other Capital Cash Receipts		-656	
	<b>Net Cash outflow before Financing</b>			<u>39,378</u>
	<b>Management of Liquid Resources</b>			
-18,019	Net increase in short term deposits			5,403
	<b>Financing</b>			
	<b>Cash outflows</b>			
27,877	Repayments of Amounts Borrowed		5,331	
	<b>Cash inflows</b>			
-39,500	New Term Loans raised		-52,500	
-25,730	New Short Term Loans raised		0	
<u>-37,353</u>	<b>Net Cash Inflow From Financing</b>			<u>-47,169</u>
<u>-2,884</u>	<b>Decrease/Increase (-) In Cash and Cash Equivalents</b>			<u>-2,388</u>

# Statement of Accounts 2005 -2006

## NOTES TO THE GROUP CASH FLOW STATEMENT

### 1. Revenue Activities

The Net Cash Flow can be reconciled to the Consolidated Revenue Account as follows :-

2004/05 £'000		2005/06 £'000
-1,346	Deficit/(-) Surplus for the Year	-8,068
0	Corporation Tax	3
52	Government Grant	52
-172	Depreciation	-171
-4,276	Revenue Contribution to Capital	-13,486
-32,591	Repayment of Debt	-31,169
14,171	Payment to Capital Receipts Pool	8,589
1,872	Use of Reserves and Provisions	-28
-5,375	Movement on HRA Balances	2
8,328	Removal of Deferred Charges	9,413
-25,982	Interest Paid	-27,217
4,478	Interest Received	3,433
	<b>Items on accruals basis</b>	
78	Work in Progress	-241
-249	Stocks	312
-15,092	Creditors	-13,232
6,627	Debtors	-2,294
<b>-49,477</b>	<b>Revenue Activities Net Cash Flow</b>	<b>-74,102</b>

# Group Statement of Total Movement in Reserves

## GROUP STATEMENT OF TOTAL MOVEMENTS IN RESERVES 2005/06

	Fixed Asset Restate- ment Account	Usable Capital	Capital Financing	Govern- ment Grants	Govern- ment Grants / Contrib- utions Unapplied	General Fund	Pension Reserve	Major Repairs Reserve	HRA Balances	Ear- Marked Revenue	Group Profit & Loss	Group Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balances Brought Forward	-506,791	100	-203,431	-62,461	-4,481	-15,362	176,053	-6,456	-10,768	-21,188	0	0	-654,785
Net Surplus / Deficit for year				-5,278	-298	-7,966	24,353		2	-808	-1,482		8,523
Unrealised gains/ Losses on revaluation of fixed assets	64,740												64,740
Impairment losses arising from revaluations													
Effect of Disposals of fixed assets	25,142	-31,552											-6,410
Financing of fixed assets		31,452	-30,540					4,337					5,249
Balance Carried Forward	-416,909	0	-233,971	-67,739	-4,779	-23,328	200,406	-2,119	-10,766	-21,996	-1,482	0	-582,683