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**THE HOUSING REVENUE ACCOUNT  
INCOME AND EXPENDITURE STATEMENT**

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This account summarises the resources that have been generated and consumed in providing services and managing the Council's Housing Revenue Account during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

	<u>2013/14</u>	<u>2012/13</u>
	£000's	£000's
<b>Expenditure</b>		
Repairs and maintenance	1,074	1,092
Supervision & management	1,033	1,020
Rents, rates, taxes and other charges	20	0
Depreciation and impairment of non-current assets	855	1,219
Debt management charges	14	15
Bad debts written off	38	4
Increase in bad debt provision	(10)	21
<b>Total Expenditure</b>	<u>3,024</u>	<u>3,371</u>
<b>Income</b>		
Dwellings rent	(4,692)	(4,510)
Non dwellings rent	(80)	(79)
Charges for services and facilities	(184)	(258)
<b>Total Income</b>	<u>(4,956)</u>	<u>(4,847)</u>
<b>Net Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>	<b>(1,932)</b>	<b>(1,476)</b>
HRA services share of Corporate and Democratic Core	185	175
HRA Share of other amounts included in whole authority net expenditure of continuing operations not allocated to specific services	0	36
<b>Net Income of HRA Services</b>	<u><b>(1,747)</b></u>	<u><b>(1,265)</b></u>
<b>HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:</b>		
(Gain)/Loss on the Sale of HRA non-current assets	(78)	(69)
De-recognition of Non-Current Assets	30	228
Interest and investment income	(16)	(11)
Interest payable and similar chargers	539	539
Pensions interest cost and expected return on pension assets	99	54
<b>Deficit/(Surplus) for the Year on HRA Services</b>	<u><b>(1,173)</b></u>	<u><b>(524)</b></u>

## MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

This reconciliation statement summarises the differences between the outturn on the HRA Income and Expenditure Account and the HRA Balance.

	<u>2013/14</u>	<u>2012/13</u>
Note	£000's	£000's
Balance on the HRA at the end of the previous reporting period	1,027	417
Deficit/(Surplus) for the year on the HRA Income and Expenditure Statement	1,173	524
Adjustments made between Accounting Basis and funding basis under statute	1 (302)	86
<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>871</b>	<b>610</b>
Transfers to or (from) Reserves	0	0
<b>(Increase) or decrease in year on the HRA</b>	<b>871</b>	<b>610</b>
<b>Balance on the HRA at the end of the current reporting period</b>	<b>1,898</b>	<b>1,027</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. Adjustment Between Accounting Basis and Funding Basis Under Statute

	<u>2013/14</u>	<u>2012/13</u>
	£000's	£000's
Impairment of non-current assets	(107)	(509)
(Gain)/loss on the sale of non-current assets	78	69
Accumulating compensating absences	(5)	2
De-recognition of non-current assets	(30)	(228)
Net charges made for retirement benefits in accordance with IAS 19	(202)	(162)
Past service gains on the pension fund	0	0
Transfer (to)/from major repairs reserve	455	133
Revenue contribution to capital	8	
Transfer (to)/from other reserves	0	500
Employers contribution payable to the Leicestershire Pension Fund and retirement benefits payable direct to pensioners	105	109
<b>Adjustments made between Accounting Basis and Funding Basis under Statute</b>	<u><u>302</u></u>	<u><u>(86)</u></u>

### 2. Balance Sheet Value of Authority's Housing Stock

	<u>2013/14</u>	<u>2012/13</u>
	£000's	£000's
<b>Operational Assets</b>		
Dwellings	41,067	38,675
Other land and Buildings	892	864
	<u>41,959</u>	<u>39,539</u>
<b>Non Operational Assets</b>		
Investment Property	140	142
<b>Total</b>	<u><u>42,099</u></u>	<u><u>39,681</u></u>

The vacant possession value of dwellings at 31 March 2014 was £120,786,000 (31 March 2013 £114,421,544) against a balance sheet value of £41,067,240 at the same time. The difference reflects the fact that social housing rents generate a lower income stream than could be obtained in the open market. The value placed on assets in a commercial environment will reflect the required economic rate of return in relation to income streams that the assets might be expected to generate throughout their economic life. To the extent that income streams are constrained to serve a wider social purpose, the value of capital assets employed for council housing will be reduced.

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 3. Housing Stock

The Council was responsible for managing on average 1,252 dwellings during 2013/14. The stock at year end was as follows;

	<u>2013/14</u>	<u>2012/13</u>
	No.	No.
Houses / Bungalows	698	705
Flats / Maisonettes	549	551
Total Stock	<u>1,247</u>	<u>1,256</u>

The change in stock can be summarised as follows;

	<u>2013/14</u>	<u>2012/13</u>
	No.	No.
Stock at 1 April	1,256	1,260
Sales	(9)	(4)
Additions		0
Stock at 31 March	<u>1,247</u>	<u>1,256</u>

### 4. Major Repairs Reserve

	<u>2013/14</u>	<u>2012/13</u>
	£000's	£000's
Balance on MRR at 1 April	445	122
Amounts Transferred in to MRR in Year	750	709
Transfers to/(from) MRR to HRA in Year	455	132
MRR Used for Capital Expenditure in Year	(638)	(518)
Balance on MRR at 31 March	<u>1,012</u>	<u>445</u>

### 5. Funding of HRA Stock

A total of £638,153 was spent on the Authority's housing stock. This was funded as follows;

	<u>2013/14</u>	<u>2012/13</u>
	£000's	£000's
Major Repairs Reserve	<u>638</u>	<u>518</u>

HRA Capital Receipts retained by the Authority for 2013/14 totalled £414,020 (2012/13 £71,970). These were entirely attributable to the Sale of Council Houses under the Right to Buy Scheme.

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 6. Depreciation and Amortisation

The total charge for non current assets within the Authority's HRA during the financial year 2013/14 is £748,673.

	<u>2013/14</u>	<u>2012/13</u>
	£000's	£000's
Dwellings	690	657
Other Land & Buildings	55	50
Plant, Equipment & Vehicles	0	1
Intangibles (Computer Software)	4	2
Total	<u>749</u>	<u>710</u>

### 7. Impairment of HRA Assets

The total charge for impairment of Non Current Assets within the HRA during the financial year 2013/14 is £106,581. This was entirely due to the decrease in the housing and rental property markets.

	<u>2013/14</u>	<u>2012/13</u>
	£000's	£000's
Dwellings	107	509
Investment Properties	0	0
Total	<u>107</u>	<u>509</u>

### 8. Rent Arrears

During the year rent arrears have increased by £23,958

	<u>2013/14</u>	<u>2012/13</u>
	£000's	£000's
Arrears at 31 March	204	179

A bad debt provision has been made in the accounts in respect of potentially uncollectible rent arrears. The value of the provision at 31 March 2014 is £85,214 (31 March 2013 £95,581).

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## NOTES TO THE HOUSING REVENUE ACCOUNT

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### 9. HRA Share of Contribution To or From the Pension Fund

To Comply with IAS 19 the current service costs for the HRA are incorporated into Supervision and Management and Repairs and Maintenance costs shown. These Items are then reversed by the net effect of the following items

- (i) Net Charges Made for Retirement Benefits in Accordance with IAS 19. This amounted to £202,280 in 2013/14 (£162,000 in 2012/13)
- (ii) Employers Contributions to Leicestershire County Council pension fund and retirement benefits paid direct to pensioners. This amounted to £104,966 in 2013/14 (£ 108,511 in 2012/13)

**Explanatory Foreword**

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to local government bodies and the Government.

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and National Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Oadby and Wigston, the Council Tax precepting bodies are the Leicestershire County Council (LCC), the Police and Crime Commissioner for Leicestershire (PCCL) and the Leicester, Leicestershire and Rutland Combined Fire Authority (LLRCFA).

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give councils a greater incentive to grow businesses in the borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. The Oadby and Wigston share is 40% with the remainder paid to precepting bodies. For Oadby and Wigston the NNDR precepting bodies are Central Government (50% share), County Council (9%) and Fire Authority (1% share).

NNDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

The Accounts include an Explanatory Forward, a Statement of Accounting Policies and an Income and Expenditure Account, together with supporting notes.

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## COLLECTION FUND

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### **Accounting Policies**

#### **1. Income and Expenditure**

The accounts have been prepared on an accruals basis. This is, sums due to or from the Collection Fund are included whether or not the cash has actually been received or paid in the year.

The above policy is not followed when dealing with the apportionment of the surplus or deficit on the fund to precepting authorities.

#### **2. Council Tax/NNDR Bad Debt Provision and NNDR provision for Valuation Appeals**

A provision is created when a sum of money is set aside to meet future specific expenses which are likely or certain to be incurred, but the amount of which can not yet be determined accurately.

The Collection Fund provides for bad debts on arrears on the basis of prior years experience and current years collection rates.



## THE COLLECTION FUND ACCOUNT

2012/13			2013/14		
Total £000's		Notes	Business Rates £000's	Council Tax £000's	Total £000's
<b>Income</b>					
(23,929)	Council Tax Payers		0	(24,766)	(24,766)
	Transfers from General Fund				
(2,999)	Council Tax Benefits		0	(6)	(6)
(11,934)	Business Ratepayers	3	(11,554)	0	(11,554)
(38,862)	<b>Total Income</b>		(11,554)	(24,772)	(36,326)
<b>Expenditure</b>					
26,824	Precepts and Demands	4	11,298	24,149	35,447
11,878	Payment to National Pool		0	0	0
56	Costs of Collection		56	0	56
0	Court Costs		5	0	5
	Bad and Doubtful Debts				
1	Write Offs		66	8	74
36	Provisions		75	47	122
0	Appeals		434	0	434
	Apportionment of Previous Year Surplus:				
19	Oadby and Wigston Borough Council		0	17	17
102	Leicestershire County Council		0	92	92
	Police and Crime Commissioner for				
16	Leicestershire		0	15	15
	Leicester, Leicestershire & Rutland Combined				
5	Fire Authority		0	5	5
38,937	<b>Total Expenditure</b>		11,934	24,333	36,267
<b>75 Movement on Fund</b>					
			380	(439)	(59)
(313)	Balance at Beginning of Year		0	(238)	(238)
(238)	<b>(Surplus)/Deficit on Fund at End of Year</b>		380	(677)	(297)
Allocated to:					
(33)	Oadby and Wigston		152	(92)	60
(169)	Leicestershire County Council		34	(480)	(446)
	Police and Crime Commissioner for				
(27)	Leicestershire		0	(79)	(79)
	Leicester, Leicestershire & Rutland Combined				
(9)	Fire Authority		4	(26)	(22)
0	Central Government		190	0	190
(238)			380	(677)	(297)

## NOTES TO THE COLLECTION FUND ACCOUNT

### 1. Council Tax Balance and Transactions at Year End

For the purpose of the Balance Sheet, it is considered that this Authority acts as an agent, collecting Council Tax on behalf of the major preceptors and itself. Council Tax transactions and balances are therefore allocated between this authority and the other major preceptors.

Shown below are the allocations to all preceptors as at 31<sup>st</sup> March 2014.

Authority	Arrear's £000's	Bad Debt Provision £000's	Over & Pre payments £000's	(Surplus) /Deficit £000's	Balance Payable £000's	Balance 2012/13 £000's
Leicestershire County Council	614	(194)	(266)	(480)	326	49
Leicestershire Police Authority	102	(32)	(44)	(79)	53	8
Combined Fire Authority	34	(11)	(15)	(26)	18	2
<b>Total Other Major Preceptors</b>	750	(237)	(325)	(585)	397	59
Oadby & Wigston Borough Council	117	(37)	(51)	(92)	63	9
<b>Total All Preceptors</b>	867	(274)	(376)	(677)	460	68

### 2. Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

The Council Tax base for 2013/14 was 16,122.66 (17,968.20 in 2012/13). This reduction between financial years is as a result of the Governments Council Tax Localisation changes which revised the way Central Government pay Council Tax benefit compensation to the Council

In 2013/14, the local government finance regime was revised and Council Tax Benefit is no longer received by the Council. This has been replaced by a Council Tax Reduction Scheme which is administered in each authority

## NOTES TO THE COLLECTION FUND ACCOUNT

Band	Estimated No. of Taxable Properties after Effect of Discounts	Ratio	No. of Band D Equivalent Dwellings
Z	11.50	5/9	6.40
A	3,150.25	6/9	2,100.20
B	5,253.00	7/9	4,085.70
C	6,380.00	8/9	5,671.10
D	2,793.50	9/9	2,793.50
E	1,719.00	11/9	2,101.00
F	450.75	13/9	651.10
G	417.50	15/9	695.80
H	57.50	18/9	115.00
<b>Total</b>	<b>20,233.00</b>		<b>18,219.80</b>
Add Adjustment**			104.16
Local Council Tax Discount Schemes			(1,872.36)
Deduct Allowance for Losses in Collection			(328.94)
<b>Council Tax Base</b>			<b>16,122.66</b>

### \*\* Adjustment

The adjustment relates to anticipated changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons relief, exempt properties, collection rate and crown contributions.

### 3. Income from Business Ratepayers

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of Oadby and Wigston the local share is 40%. The remainder is distributed to preceptors and in the case of Oadby and Wigston these are Central Government 50%, Leicestershire County Council 9% and 1% to the Leicester, Leicestershire and Rutland Combined Fire Authority.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used

## NOTES TO THE COLLECTION FUND ACCOUNT

to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Oadby and Wigston paid a tariff in 2013/14 to the value of £3,380,209 (see Note 9, Notes to the Core Financial Statements).

In addition to the top up, a 'safety net' figure is calculated at 92.5% of baseline amount which ensures that authorities are protected to this level of Business Rates income. For Oadby and Wigston the value of safety net figure is £1,246,257. The comparison of business rate income to the safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief (announced in the Autumn Statement 2012) not allowed for when the safety net was set. The Council qualifies for a safety net payment of £60,672 for 2013/14.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31 March 2014. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2013/14 has been calculated at £434,032.

The total non-domestic rateable value at 31 March 2014 was £31,420,944 (£31,355,493 31 March 2013). The national non-domestic multipliers for the year were:

Full 0.471 (0.458 for 2012/13)  
Small Business 0.462 (0.450 for 2012/13)

Shown below are the allocations to all preceptors as at 31 March 2014

Authority	Arrears £000's	Bad Debt Provision £000's	Over & Pre payments £000's	(Surplus) /Deficit £000's	Balance Payable £000's
Leicestershire County Council	58	(58)	(39)	34	5
Central Government	321	(323)	(216)	190	28
Combined Fire Authority	6	(6)	(4)	4	0
<b>Total Other Major Preceptors</b>	<b>385</b>	<b>(387)</b>	<b>(259)</b>	<b>228</b>	<b>33</b>
Oadby & Wigston Borough Council	257	(259)	(173)	152	23
<b>Total All Preceptors</b>	<b>642</b>	<b>(646)</b>	<b>(432)</b>	<b>380</b>	<b>56</b>

## NOTES TO THE COLLECTION FUND ACCOUNT

### 4. Precepts and Demands

	2013/14			2012/13
	Council Tax £000's	Business Rates £000's	Total £000's	Council Tax £000's
Leicestershire County Council	17,138	1,017	<b>18,155</b>	19,100
Leicestershire Police Authority	2,803	0	<b>2,803</b>	3,124
Combined Fire Authority	941	113	<b>1,054</b>	959
Central Government	0	5,649	<b>5,649</b>	0
Oadby and Wigston Borough Council	3,267	4,519	<b>7,786</b>	3,641
<b>Total</b>	<b>24,149</b>	<b>11,298</b>	<b>35,447</b>	<b>26,824</b>

### 5. Leicester and Leicestershire Business Rates Pool

The Local Government Finance Act 2012 introduced the business rates retention system from 1 April 2013. Authorities were invited to form Pools. For tariff and top-up purposes and also regarding levy and safety net calculations, the Government treats a Pool as if it were a single entity.

The County Council along with Leicester City Council, the LLRCFA and all Leicestershire District Councils agreed to operate a pooling agreement for business rates levies and safety net payments for 2013/14, the Leicester and Leicestershire Pool (LLP). The County Council was the lead authority for the LLP. The Pool was in a net top-up position, meaning that it could not be subject to a levy to the Government; a safety net position was technically feasible but given the scale of loss that would have to be suffered was unlikely to arise.

The Pool was based on a "no better, no worse" position, with District Councils paying any levies into the Pool and any safety net payments being made from the Pool. Any remaining net income from the Pool was to be used to provide a £400,000 contingency for future safety nets and any further income above that level was to be passed to the Leicester and Leicestershire Economic Partnership (LLEP).

Overall the Pool achieved a net surplus of £699,359 for 2013/14. The summary table is shown below:

## NOTES TO THE COLLECTION FUND ACCOUNT

	Funding Baseline £000's	Rates Baseline £000's	Retained Rates £000's	Levy £000's	Safety Net £000's
Blaby District Council	1,948	15,229	14,992	0	91
Charnwood Borough Council	3,750	17,215	16,653	0	281
Harborough District Council	1,547	13,014	14,820	903	0
Hinckley and Bosworth Borough Council	2,270	10,901	11,255	177	0
Melton Borough Council	1,160	4,967	5,071	52	0
North West District Council	2,100	18,301	18,215	0	0
Oadby and Wigston Borough Council	1,347	4,728	4,566	0	61
Total	14,122	84,355	85,572	1,132	433
Net Gain					699

The surplus at the end of 2013/14 will be distributed in agreement with the LLP partners. These accounts include debtors for the safety net payment (£60,672) due from the County Council and a debtor for the share (£9,582), due to this Council from the Pool surplus which is included as income in the Comprehensive Income and Expenditure Statement.

Due to uncertainties over Government policy changes and the level of potential appeal losses, the LLP partners decided not to continue with the Pool in 2014/15 and to review the position again for 2015/16.

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## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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### **The Authority's responsibilities**

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### **The Section 151 Officer's responsibilities**

The Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Section 151 Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The Section 151 Officer has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **Certificate of the Section 151 Officer**

I certify that the statement of accounts gives a true and fair view of the financial position of the Council as at the 31<sup>st</sup> March 2014 and the Council's income and expenditure for the year then ended.



John Dickson CPFA  
Interim Chief Financial Officer

Date 23 September 2014

**Independent auditor's report to the members of Oadby and Wigston Borough Council**

We have audited the financial statements of Oadby and Wigston Borough Council for the year ended 31 March 2014 on pages 11 to 100. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Interim Section 151 Officer and auditor**

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of



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## AUDITOR'S REPORT

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any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

### **Matters on which we are required to report by exception**

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 106 to 124 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

### **Conclusion on Oadby and Wigston Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Authority's responsibilities**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to

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## AUDITOR'S REPORT

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ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities**

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Oadby and Wigston Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

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## AUDITOR'S REPORT

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### **Certificate**

We certify that we have completed the audit of the financial statements of Oadby and Wigston Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

**John Cornett**  
**for and on behalf of KPMG LLP, Appointed Auditor**  
*Chartered Accountants*

St Nicholas House  
31 Park Row  
Nottingham  
NG1 6FQ  
23 September 2014

**Scope of Responsibility**

Oadby & Wigston Borough Council (the Council) is responsible for ensuring that its' business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its' functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility the Council is responsible for putting in place proper arrangements for the governance of its' affairs and facilitating the effective exercise of its functions including arrangements for the management of risk.

The Council has previously approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government. A copy of the Authority's code can be obtained from Corporate Resources. This Statement shows how the Council has complied with the Code and also meets the requirements of Regulation 4(3) of the Accounts and Audit Regulations 2011 which requires the Council to prepare an Annual Governance Statement.

**Purpose of the Governance Framework**

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled. It reflects activities through which the Council meets the needs of the community. It includes arrangements to monitor the achievements of its strategic objectives and to consider whether those objectives have lead to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and therefore can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. Evaluation of the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at Oadby & Wigston Borough Council for year ended 31 March 2014 and up to the date of the approval of the Statement of Accounts.

## **The Governance Framework**

### Vision and Priorities

The Council's Corporate Plan was updated in June 2011 with the Council's three main priorities being declared as:

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

These priorities were agreed with residents through the consultation process and the residents' forums.

In 2011 the Council set out a vision for 2011-15 represented by the following seven priorities:-

- Protect the good quality and consistent value for money frontline services provided to residents, particularly with the refuse and recycling collections
- Enhance the green environment of the Borough so the residents can take full advantage of it
- Revitalise the town centres through development and by retaining free shoppers car parking
- Work with the Police to create a safer Borough where people feel comfortable and at ease
- Better community engagement including listening to and delegating more to the three town forums
- Work smarter to deliver the efficiency, savings required to meet the continuing budget cuts
- Working with others to try and improve the health and wellbeing of the residents of the Borough.

These priorities will:

- Focus and drive forward the Council's strategic plan over the next four years
- Form the basis of the Council's Medium Term Finance Strategy
- Provide the direction for allocating resourcing and restructuring
- Set the parameters for the annual Service Delivery and Development Plans.

The vision on objectives of individual departments are outlined in the annual Service Delivery and Development Plans. The plans for 2013/14 were approved by relevant committees in July 2013.

The Council's financial strategy is outlined in the medium term financial strategy 2013 to 2016 which was approved by the Policy, Finance & Development Committee in March 2013. The document outlines 11 financial

objectives which the Council looks to achieve in order to meet the continuing pressure and available resources. Alongside this the Council has put in place the Housing Revenue Account (HRA) business plan which sets out how the Council will respond and operate under the new system of self-financing.

### **Quality of Services**

Service plan targets and key performance indicators as set for each department within the Service Delivery and Development Plans. Progress against targets is monitored monthly by the management team and relevant committees. The Council's financial position is reported against budget to every Policy Finance and Development Committee meeting. Detailed budget information is provided to budget holders each month and dedicated project teams provide financial information for large projects or schemes. A full review of the budgetary control process was carried out during 2013/14. This aimed to ensure that budget information provides value for users and effectively informed decisions.

The Council ensures that its key priorities determine the allocation of resources to deliver its agreed activities. A robust Corporate Business Planning programme is used to identify projects against criteria including the Council's agreed policies, its priorities, the outcomes of public consultation, demonstration of continuous improvement and change in legislative need. New funding (investment) or funding from services downsize or de-prioritise is allocated to projects based on outcomes of this exercise. Agreed projects are then included in the relevant service plans as priorities for the Borough in 2013/14.

Achievements of the priorities for the Borough have been monitored throughout 2013/14 by the Council's Senior Management Team and reports to the relevant committees. This included brief details of key achievements against these priorities. The monitoring of delivery against the priorities ensures the Council's capacity to deliver against projects within the agreed cost, time and resources.

To further ensure that non-core resources are directed or re-directed towards the achievement of agreed objectives and priorities within the overall priorities for the Borough, there is an annual critical review of existing services and budgets. This process helps ensure the economic, effective and efficient use of resources and is undertaken within the framework of the Value for Money Strategy.

The financial elements of the Council's Corporate Business Planning process are set out in the Medium Term Financial Strategy and looks three years' ahead to ensure the Council's commitment to deliver its' priorities. The Council has a good track record of robust financial management and internal control but the Council's resources are necessarily limited and efficiencies year-on-year continue to be required. There is therefore increasing reliance on excellent partnership working to ensure the Council demonstrates value for money and the delivery of its' plans and actions.

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## ANNUAL GOVERNANCE STATEMENT

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The Council continues to ensure the accounts are compliant with the Local Authority Accounting Code of Practice for 2013/14. Performance against it's' budget is monitored at committee meetings and by Senior Management Team and through the Corporate Business Planning process. It ensures that the level of reserves it holds is sustainable over the medium term. The Medium Term Financial Strategy will continue to take account of the current economic climate and the recent changes to Local Authority funding.

The Council has a Treasury Management Strategy that is reviewed each year and monitored on a regular basis. This ensures the Council has sound processes and controls over the Treasury function that minimises risk to the Council.

The Council communicates the Borough vision and achievements against its priorities by a quarterly publication that is delivered to the homes of it's' residents and on its website. The Council Tax information leaflet gives further information on the Council's performance, expenditure and efficiencies and is posted on the Council's website.

The Council, the Policy, Finance and Development Committee and the Service Delivery Committee take decisions on service and management matters. They are timetabled to meet four times a year. The Policy, Finance and Development Committee undertakes the role of the Audit Committee and provides ongoing monitoring and scrutiny of financial management, performance, policy and action plans. Further challenge is provided by Members through meetings with Committee Chairmen, Resident Forums and Member Workshops.

Scrutiny is provided at Officer level through the work of the Council's internal audit function which since May 2012 has been delivered by CW Audit Services. The annual risk based audit plan contributes to the review of the Council's key internal control systems, risk management processes and corporate governance arrangements. CW Audit supports the design and effectiveness of the Governance framework. Each internal audit review is given an assurance level. The definition of each of these assurance levels are provided in the table below.

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## ANNUAL GOVERNANCE STATEMENT

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**Table – Definition of Assurance Levels**

<b>Level of Significance</b>	<b>Criteria</b>
Full	No significant risk issues identified
Significant	Exposure to levels of risk that may only impair the effectiveness of the system or process under review
Moderate	Exposure to levels of risk that render some elements of the system's control environment undeliverable
Limited	Exposure to unacceptable level of risk that could have a serious impact upon the system or process under review
No	Exposure to unacceptable levels of risk that could have a serious impact upon the organisation as a whole

Regular monitoring meetings are held with the Chief Financial Officer as the Council's Section 151 Officer and the Director of Services. This ensures the high standard of internal audit support is maintained. The annual audit plan is reviewed on a frequent basis to identify any amendments needed to reflect changing priorities, emerging risks or resourcing changes.

Further challenges are provided by the Senior Management Team.

It is important to ensure that Members and Officers work together to achieve a common purpose with clearly defined functions and roles. The Constitution includes a Scheme of Delegation and Terms of Reference for each of the Council's committees. Responsibilities are recorded to make clear how the Council and its committees operate within the Council. The Constitution reflects the legislative arrangements for defining these functions. To emphasise the separation of these functions the Terms of Reference are divided into relevant sections.

The Scheme of Delegation defines the general power to that granted to the Chief Executive and Chief Officers within the areas of their service responsibility. The Constitution is published on the Council's website.

The Members are responsible for ensuring that effective policy making, scrutiny and monitoring of activities occur. A clear committee structure assists such responsibilities to be effectively carried out. Members' expertise and involvement is further enhanced by ongoing training and development of Members.

The Council has a statutory responsibility to have a Section 151 Officer and a Monitoring Officer. The interim Chief Financial Officer is the Section 151 Officer who has a duty to the Council's tax payers to ensure that public money is being appropriately spent and managed. The Monitoring Officer is the Council's Director of Services who acts as guardian of the Council's Constitution to ensure lawfulness, probity and fairness of Council decision making. The Chief Financial Officer reports directly to the Chief Executive.



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The Chief Financial Officer ensures that appropriate advice is given on all financial matters. He is responsible for keeping proper financial records and the Council maintaining an effective system of internal control.

Officer decision making at a strategic level is led by the Senior Management Team comprising the Chief Executive, Interim Chief Financial Officer and Director of Services. They meet usually on a weekly basis and addressed at each meeting is finance, policy, governance, human resource issues and performance including delivery of the priorities for the Borough.

The Council's financial management arrangements conform with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

To ensure that a constructive working relationship exists between elected Members and Officer there is an agreed protocol which governs Members and Officers working relationships.

An Annual Governance Statement promotes governance values for the Council and demonstrates the values of good governance through upholding high standards of conduct and behaviour.

To ensure Councillors and any co-opted Members of the Borough Council behave in a way that exemplifies high standards of conduct and effective governance, the Standards Committee promoted and maintained high standards of conduct. The Council Officers are likewise expected to maintain such high standards of conduct. Following changes to the standards regime a new Member Code of Conduct was approved by Council in 2012. The Council has a staff Code of Conduct that is on the Council's Intranet, in the same way as all Council policies. Regular records of advice and Code issues are kept by the Monitoring Officer. The Standards Committee oversaw the number and types of complaints dealt with through the local referrals process.

Declaring interests under the Code of Conduct is a standard item on the agenda at every committee meeting and Council and declarations are minuted by the Clerk. A legal advisor attends all Council and Committee meetings to advise on code and other issues where this is requested or otherwise considered appropriate. A Planning Code of Conduct is in place and is adhered to by members who sit on the Development Control Committee. Members and Officers comply with a Gift and Hospitality Policy. They can also be called in at any time by the Monitoring Officer.

There is an Internet page explaining how complaints can be made against Councillors. This can be done by either downloading a complaint form or making a complaint on-line. The web page also has links to the Code of Conduct within the Constitution. The confidential Monitoring Officer e-mail inbox is available to receive complaints. A register of the Council's contracts is published on the Council website. In addition, details of the Council's spend above £250 (excluding VAT) is published on a quarterly basis. Another key element of the systems in process in the Council's Governance arrangements

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are to make informed and transparent decisions which are subject to effective scrutiny in managing risk.

Underpinning the Council's financial management arrangements is a regularity framework comprising Financial Regulations, Contract Procedure Rules, annual audits of key financial systems, audits of other systems undertaken on a risk-based basis and the role of the Statutory Section 151 Officer. Other processes and procedures such as the Procurement Strategy and Risk Management Strategy are monitored on a regular basis.

An annual review and update of Financial Regulations and Contract Procedure Rules is undertaken. These reviews are led by the Chief Financial Officer and involve relevant key officers. Key financial systems have supporting procedure notes and manuals which are regularly reviewed to show they remain current.

The Risk Management strategy was reviewed in 2013 and will be reviewed bi-annually unless changes are made which require the documents to be updated in the interim. In addition, the Policy, Finance & Development Committee receive reports on risk management which enables them to monitor as appropriate.

The Monitoring Officer has processes for the review of legislative changes which feed into the annual review of the Constitution. Consultation meetings and other forms of communication between the Monitoring Officer and Senior Managers as appropriate ensures that managers can contribute to revisions for the scheme of delegation and Terms of Reference. The Annual Review of the Council's Constitution which includes all Terms of Reference and Scheme of Delegation is discussed with Members who are on the Constitutional Task Group. The Monitoring Officer retains overall responsibility for monitoring the Constitution.

The Council's policies and procedures are drawn up and regularly reviewed to ensure compliance with current legislation and regulations. Legal Services assist with updating and amending relevant policies and advice on legal implications including legislative impacts or decisions put forward in committee reports. Equalities implications are also considered as part of the committee reports. Concerns regarding non-compliance with policies, procedures, laws and regulations can be reported through the Council's anti-fraud and confidential reporting (whistle blowing) policies. Concerns raised are investigated and acted on following clearly defined guidelines.

The Whistle Blowing Policy is published on the Council's Intranet and internet to raise awareness and outlines procedures in place to staff, contractors and the public and features in the induction of new staff. The Anti-Fraud and Corruption Policies are on the Intranet and are given to all new members of staff as part of the Council's comprehensive staff induction process. The Monitoring Officer after consultation with the Chief Executive and Section 151 Officer has statutory powers to report to Council in relation to any function, any proposal, decision or omission that he/she considers would give rise to

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unlawfulness or any decision or omission that has given rise to mal-administration. Such a report would have the effect of stopping the proposal or decision being implemented until the report has been considered.

The Policy, Finance & Development Committee receives regular reports from the Council's External Auditor and Internal Audit. Where appropriate, comment is made on non-compliance with legislation that has been identified as part of a routine audit. The Chief Financial Officer has direct access to this Committee as well as to External Auditors. All members of the Policy, Finance & Development Committee have received formal training in risk management so as to allow them to appreciate the nature of risks presented to the Council through its activities. Training on Internal Audit will also be given to augment the Committee's knowledge of this function.

Another key element of the systems and processes that comprise the Council's governance arrangements is to develop the capacity and capability of Members and Officers to be effective.

The Council's appraisal process not only identifies progress and performance but also skills gaps. Any identified gaps are then addressed through an individual's personal development plan. Personal development and delivery against agreed personal objectives are monitored in ongoing one-to-one discussions. This process ensures that the Council continually has in post individuals equipped to carry out their functions with due regard to law, policy and regulation.

As part of the business planning process each service plan includes learning and development needs linked to specific actions. This ensures that the skills sets required to deliver the key priorities and actions for the Council are identified and development planned and provided.

Changes to and development of training programmes are disseminated to relevant staff and published on the Intranet and more broadly using the Council's other internal communication mechanisms.

The Council fully supports the development of Members.

Engaging with local people and other stakeholders to ensure robust public accountability is a key element of the governance framework.

The Overview & Scrutiny Committee was as are all the Council's committees held in public to take into account the views and needs of local people. The scrutiny process allows Councillors from all political parties to challenge Council policy and actions democratically and in addition consider the performance of statutory partners dealing with Crime and Disorder matters. The Overview & Scrutiny Committee having reviewed policy recommendations could make representations to Council which reflect their own findings.

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The Council's corporate business planning process includes an annual timetable of formal consultation events ensuring statutory, voluntary and business partners have the opportunity to comment on budget proposals under consideration.

The Council has given delegated authority on budget provision to three Residents Forums. These can make recommendations to the Policy, Finance & Development Committee on various projects and how the funding can be allocated. The Forum's membership is open to people who live in the three areas and it has been found to be a very good source of communication and consultation of the Council's policy initiatives.

Reviewing the effectiveness is another important element of the governance framework.

The Council has responsibility for conducting at least annually a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Senior Managers within the Council who have responsibility for the development and maintenance of the governance environment. The annual report from the Council's Internal Auditors (CW Audit Services) is a key mechanism for reviewing the effectiveness of the Council's arrangements on governance. Also, comments made by External Auditors and where relevant other review agencies and inspectorates are important.

The Senior Management Team chaired by the Chief Executive reviews the Council's governance framework and control environment and is responsible for the preparation of the Annual Governance Statement.

Each Head of Service and Corporate Manager, as appropriate, is responsible for producing their own service assurance statements and developing an improvement action plan to rectify any identified governance weaknesses within their service areas. The Chief Financial Officer reviews all of these documents. The Policy, Finance & Development Committee members are informed of progress on producing this Annual Governance Statement and will review it and evaluate the robustness of the underlying assurance statements and evidence.

No cases of mal-administration were found against the Council by the Local Government Ombudsman during 2013/14.

The Policy, Finance & Development Committee has reviewed progress against the Annual Governance Statement 2012/13 action plan that was implemented in 2013/14. The Council has taken action where improvements were needed to be made in response to audit recommendations. The results of this process are summarised in the tables at the end of this Annual Governance Statement.

## **Constitutional Matters**

The key roles and responsibilities of Council committees, elected members, the Chief Executive, Monitoring Officer and Section 151 Officer are set out in the Council's constitution scheme of delegation.

The constitution includes the Contract Procedure Rules and Financial Regulations which detail the processes and improvements required for various levels of purchase and the internal control procedures required for managing the risk across the Council. The constitution scheme of delegation, Financial Regulations and Contract Procedure Rules were extensively updated during 2013 by the Policy, Finance & Development Committee.

## **Code of Conduct**

The standards of behaviour expected from members and officers are set out in Member/Officer Codes of Conduct. A register of members' interest is maintained and the records of interest are declared at council and committee meetings. All members are required to complete Related Party Declarations at the end of the financial year in support of the statutory financial statements. Members' allowances are examined on an annual basis and a review of the allowance scheme was undertaken in 2013/14 by an independent remuneration panel.

The Constitution, Contract Procedure Rules, Financial Regulations, Whistle Blowing Policy and the Anti-Fraud and Corruption Policy set the rules and standards within which Council business is conducted and provide the mechanism for dealing with any failures in these procedures.

Chapter 7 of the Localism Act 2011 outlines that there is no longer a statutory requirement to have a Standards Committee. However each Council has to put in place arrangements dealing with complaints and standards issues. The Standards Committee decided its' preference was to adopt a common code in collaboration with other Local Authorities in Leicestershire and Rutland and was approved by the Council in April 2012.

The Standards Committee monitored performance of members, senior officers and the Council's Committees.

## **Standards**

Councillors have to abide by this Constitution, which includes a Code of Conduct in order to ensure high standards in the way they undertake their duties. The Council promotes excellence, probity and transparency in public services and provides training and advice for Councillors governance matters including the Code of Conduct.

The Localism Act 2011 (the Act) brought about a number of key changes to the Standards Regime operating in Local Authorities. Under the Act, Local Authorities remain under a statutory duty to promote and maintain high

standards of conduct by their Councillors. In discharging this duty, the Council is still required to adopt its own Code of Conduct (previously the content of the Code was prescribed by legislation). Oadby and Wigston Borough Council adopted the common Code of Conduct for Leicestershire Authorities which is set out in Part 5 of this Constitution together with the procedure for dealing with complaints about a Councillor's conduct.

The Act repealed the statutory requirements for the Council to have a Standards Committee. At the Council meeting on 25 February 2014 the Council agreed to disband the existing Standards Committee in view of the fundamental changes to the national Standards Regime. The Policy, Finance and Development Committee will take on the responsibility for promoting and maintaining high standards of conduct and where a panel of Councillors is required to hear a complaint this will be allocated from the membership of the Policy, Finance and Development Committee on a rotational basis; the procedure for investigations will be carried out in accordance with the process set out in Part 5 of this Constitution.

### **Scrutiny**

Oadby and Wigston Borough Council operates a committee style arrangement and therefore is not required by law to have a separate Scrutiny Committee to support and monitor the work of the Committees and Council. At the Council meeting on 25 February 2014 it was agreed that each Committee will scrutinise its own decisions as they are being debated and made in the public arena. If necessary a Task Group may be convened by the Council to deal with any specific matter.

### **Corporate Plan**

The Council's decision making practices are guided by the values as set out in the 2013/14 Corporate Plan which is attached as an appendix and purely consolidates in a focus document the Council's previously agreed priorities and governance arrangements.

There will be a complete review of the Corporate Plan in 2014/15, including consultation ready for and to coincide with the election of the new Council in May 2015 when it will start its term of office and set out its vision for its four year administrative period of what it wants to achieve.

### **Audit Committee Functions**

In 2013/14 the Policy, Finance and Development Committee and Internal Audit undertook the core functions identified in CIPFA publication: Audit Committee - Practical Guidance for Local Authorities. The Committee receives reports from the internal audit service and then ask questions at each meeting and can call upon Service Heads to attend meetings as appropriate. Reports from External Auditors are also received at these meetings.

## **Policies, Procedures, Laws and Regulations**

The Council's statutory officers are the Chief Executive, the Section 151 Officer and the Monitoring officer. They are responsible for ensuring the Council acts within the law and in accordance with established policies and procedures. No report can be presented to Council or Committee for approval without first being reviewed by these officers or their delegated representative(s). These Officers are responsible for ensuring that legislation and policy relating to service delivery, health and safety are implemented in practice.

## **Risk Management**

The Strategic Risk Management Group is an operational management group and co-ordinate risk management arrangements across the Council. Following recommendations from Internal Audit and the Strategic Risk Management group the Council's insurers, Zurich Municipal, were engaged to update the Council's Risk Management Strategy, Procedures and Strategic Risk Register.

Risk management workshops are held on a regular basis with Members and Senior Management to provide training on risk management and to identify the key risks facing the Council's objectives. A revised Risk Management Strategy, Strategic Risk Register and further development plan were presented to Committee in October 2013. Further work will be performed in 2014/15 informed by the development plan to further embed the appropriate processes, procedures and culture within the authority.

During 2013/14 the Strategic Risk Register was reported quarterly to the Committee. This register identified major risks and commented on their likelihood and impact on the Council's objectives. Each risk is allocated a responsible officer who is responsible for identifying an action plan and provides an update on residual risk for each quarter. Risk management is embedded in processes such as Capital Appraisals and Service Development Plans.

## **Whistle blowing and Complaints**

The Council's Whistle Blowing Policy is available to all employees and those contracting with the Council. A corporate complaints procedure is in place which includes staged levels of escalation depending on the seriousness of the complaint.

## **Training and Development**

An induction programme is provided for all new Members and Officers. Member training is provided. A Member training programme exists throughout the Leicestershire & Rutland Improvement Partnership. In-house training is provided for Members which includes covering significant changes in Council business such as new legislation.

The skills and resources required by Statutory Officers are set out in Person Specifications. Rigorous recruitment processes are followed to appoint these key posts. Responsibilities are reinforced through the Council's Constitution and development needs identified through employee development interviews.

### **Communication and Consultation**

Local people and stakeholders are engaged through the community strategy, resident forums, youth, senior citizens and multi-cultural groups. A programme of meetings is in place for these groups with agendas largely being set in conjunction with residents and other stakeholders. A number of public consultations have taken place in year on pertinent issues including Open Spaces, Blaby Road Park and residents of Boulter Crescent.

All meetings are held in public. There is a high level of interest in matters considered at the three Resident Forum meetings as evidenced by the high level of attendance. Minutes are produced of all meetings with action lists of issues raised to be reported back to the next meeting.

The Council communicates to residents through the Letterbox Newsletter which is circulated to all residents each quarter. Key documents such as the Corporate Plan, Statutory Accounts and Council Budget Book are published setting out achievements, performance and planned activity. Regular staff communication is achieved through the staff and management notice boards and regular briefings held by the Senior Management Team.

### **Partnerships**

The Council aims to fully exploit the opportunities for partnership working to ensure joined up service delivery and efficiency savings. Key partnerships involving the Council include the Community Safety and Crime and Disorder reduction partnerships for Oadby and Wigston. At County level the Council is involved in Leicestershire Together and works with other public sector providers to improve the wellbeing of residents of Leicestershire.

From an operational perspective the Council continues to pursue opportunities for joint work with other Councils. Some joint arrangements however have been terminated as they did not prove as effective as when they were originally introduced.

### **Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by the work of the Senior Management Team and the results of the work of Internal Audit/External Audit and comments received from other review agencies/review inspectorates. The sections below set out how the Governance Framework



has been maintained and reviewed up to the date of the approval of the Statement of Accounts.

A review of the Council's Governance structure was presented to the Policy, Finance & Development Committee during 2013 and included a number of suggested amendments to the current organisation. These changes were partly implemented during 2013 with the remaining changes to be completed during 2014.

### **Current Governance Structure**

Oadby and Wigston has retained a Committee system. The vast majority of Councils operating use a cabinet system where a small group of councillors have been given the power to make the majority of decisions on behalf of all other councillors.

The benefits of the Committee system are that all councillors sit on a range of Committees and every member has a vote that counts every time. This is the cornerstone on which this Council is built in order that councillors do not feel marginalised from decision making. All decisions are debated and made during open committee in full public view. All Councillors and constituents can hear the full debate including the views of Ward councillors, only urgent decisions are delegated to the Chair/Vice Chair which are then reported back to the full Committees at the earliest opportunity so all members are engaged. In addition to the statutory requirement to have a separate Council and distinct Development Control and Licensing Committees, the Council has two main Committees:

- The Policy, Finance and Development Committee which has overall responsibility for setting the long term aims of the Council and moving it forward in line with these objectives.
- The Service Delivery Committee which has the direct responsibility for the day-to-date operation of all services.

The Council's principal Committees have considered the following key areas in 2013/14.

### **Council**

- Budget proposals and budget monitoring
- Council Tax Base
- Council Tax Setting
- Council Tax Support
- Evolving Council Governance
- Delegated reports from Forums and Committees
- Equality and Diversity
- Voluntary Sector Funding
- Licensing Policy
- Pay Policy

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- Members Allowances
- Members' Code of Conduct
- Constitutional Review (Including Contract Procedure Rules and Financial Regulations)

### **Policy Finance and Development Committee**

- Individual internal audit reports and the annual report and plan
- Reports from the external auditor including annual plan and report on the Statement of Accounts
- Budgetary Control and financial updates
- Treasury Management and Prudential Indicators
- Welfare Reform and Council Tax Support
- Pooling of Non Domestic Rates
- Risk management reports and strategy
- Procurement Strategy
- Updating of Council policies and Strategies
- Medium Term Financial Strategy and Housing Business Plan and regular updates
- Review of Financial Regulations
- Leisure Procurement and Strategy

### **Service Delivery Committee**

- Greening the Borough
- Tenants Charter
- Choice Based Lettings
- Refuse and Recycling Operations
- Housing Business Plan
- Council Tax Support and Welfare Reform
- Disabled Facilities Grant
- Service Charters

### **Senior Management Team**

The Senior Management Team consisting of the Chief Executive, Director of Services and Chief Financial Officer are responsible for ensuring proper standards of internal control within the Council. At the end of each financial year Heads of Service complete a declaration to confirm that they have reviewed the systems within their areas of responsibility and have identified all areas where improvements are necessary.

Officer Governance arrangements were reviewed during 2013 and a new structure was developed and implemented during 2013/14.

**External Audit**

The Council's external auditors are KPMG.

The external auditors review the Council's arrangements for:

- Preparing accounts and compliance with statutory and other relevant requirements
- Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice
- Managing performance to secure economy, efficiency and effectiveness in the use of resources.

The Council has taken action where appropriate to respond to external audit recommendations.

**Internal Audit**

Internal audit is responsible for the review of the systems of internal control and for giving an opinion on both corporate and service specific standards. From May 2012 following a competitive tender exercise the Coventry and Warwickshire Audit Services (CWAS) were awarded the internal audit contract.

The annual audit plan for 2013/14 has been completed apart from a few minor audits which were agreed by Senior Management Team to be deferred until 2014/15. Details of the findings for each individual audit have been reported to the Council's Senior Management Team and then to the Policy, Finance and Development Committee.

The Chief Financial Officer/Section 151 Officer reviewed the effectiveness of internal audit through the quality of recommendations and audit reports and subsequent comments made by the Committee on audit findings. The Annual Audit Plan for 2013/14 was approved by the Policy, Finance and Development Committee in March 2013.

The Internal Audit Report for 2013/14 provided a year end opinion on the Council's internal control framework. The report stated that "The overall opinion is that significant assurance can be given that there is generally a sound system of internal control designed to meet the organisation's objectives and that controls have generally been applied consistently."

The basis for forming the internal audit opinion is as follows:

- An initial assessment of the design and operation of the underpinning risk management framework and supporting processes
- An assessment of the range of individual opinions arising from risk based audit assessments contained within internal audit risk based plans that have been reported throughout the year. This assessment

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## ANNUAL GOVERNANCE STATEMENT

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has taken account of the relative materiality of these areas of the management's progress in respect of addressing control weaknesses

- Any reliance that has been placed on third party assurances.

During the course of the year Internal Audit undertook work to provide assurance over financial governance and operational systems:

- During the year Internal Audit undertook reviews of the Council's core financial systems (including financial management including ledger and financial transactions) and gave full or significant assurance with regard to the management of risk in these areas
- Internal Audit also undertook work on areas of principal risk. In general internal audit were able to conclude that these systems are robust and operating in good controlled environments.

It is the view of Internal Audit taking an account of the respective levels of assurance provided for each audit review, an assessment of the relevant weighting of each individual assignment and the extent to which agreed actions have been implemented that the Council generally has sound systems of internal control.

However Internal Audit highlighted some significant control issues in the following area which needs to be disclosed in the Annual Governance Statement:

- Housing Responsive Repairs

Management requested that Internal Audit carry out reviews on this area to inform and advice a service improvement plan. Internal Audit identified a range of areas, some of these in Internal Audit's view being high risk issues in which improvement and control were needed and provided limited assurance as our overall assurance opinion. Management put in place the improvement plan which reflected these matters and Internal Audit were requested to carry out re-visit audits to assess the level of progress and the implementation of the actions agreed by management. These re-visits formed part of internal audit's work during April and May 2013. However, progress was still limited and Internal Audit undertook a further follow-up audit during February and March 2014. Most of the recommendations have now been completed or are near completion, although some audit recommendations have still not been fully implemented. These are shown in the table at the end of this Statement. Gas Safety performance at the time of writing this report is as follows:-

We are now in a position of being 100% compliant and this compares very well to a period earlier in the year when the work was happening very close to the expiry date of the old certificate.

## ANNUAL GOVERNANCE STATEMENT

### Significant Governance Issues

The results of this process have been summarised below:

Significant Control Issue	Sources	Action Plan
<b>Prior Year Follow Up Actions</b>		
<u>Housing Repairs</u> <u>Housing Repairs Contractors</u>  Management should review the use of existing contractors and consider market testing to ensure that it is getting value for money from their services	Internal Audit Report 2012/13	<u>December 2014</u>  All these contractors have at some point been approved within the Council's systems to join this list and be put on Orchard. The current team has widened use within the list and made limited (mainly specialist) additions. It has also removed contractors who have gone out of business.
<u>Housing Repairs</u> <u>Tenders/Quotations</u>  Consideration should be given to setting up a list of approved contractors from which tenders/quotations can be obtained	Internal Audit Report 2012/13	<u>December 2014</u>  Partly implemented.
<u>Housing Repairs</u> <u>Gas Safety Performance and Contract Management</u>  Management should ensure that robust performance and contract management arrangements are put into place for the gas servicing contract with Lovells. The level of service, compliance with contractual conditions and overall costs should all be monitored as part of these.	Internal Audit Report 2012/13	<u>End April 2014</u>  At the meeting Lovell's acknowledged a high proportion of the services were being completed anything from a few days to a month late. They also acknowledged that there was a large spike in the number of services due in April tailing off a bit in May before numbers then become much lower over the summer. They committed to increase resources and number of services complemented per operative per day to get back on track by the end of April.
<u>Housing Repairs</u> <u>Gas Safety - No Access Letters</u>  Management should ensure that evidence is retained on file of all attempts made to notify the tenant of access being required in order to undertake a gas safety	Internal Audit Report 2012/13	<u>April 2014</u>  The spreadsheet will be completed fully from 1 April 2014 and procedures followed more closely once all teams up to full strength.

## ANNUAL GOVERNANCE STATEMENT

inspection. In addition adequate cover should be in place to deal with the daily information sent by the contractor in relation to properties where access cannot be made.		
<u>Housing Repairs</u> <u>Gas Safety Testing</u>  (a) Management should ensure that adequate contract and performance monitoring arrangements are in place over the gas safety contract with Lovells. (b) Where access has not been possible, the housing officers should escalate attempts to access properties in line with Council procedures. (c) The gas safety administrator should advise housing officers of any changes on a weekly basis.	Internal Audit Report 2012/13	<u>End April 2014</u>  The spreadsheet will be completed fully from 1 April 2014 and procedures followed more closely once all teams up to full strength.
<u>Housing void property</u> <u>management housing options and allocation</u>	Outturn Report Service Assurance Statement	Management has satisfactorily inspected agreed sections of Internal Audit's documentation and Audit no longer consider that significant issues remain. All actions implemented.

Mark Hall  
Chief Executive

John W. Boyce  
Leader of the Council

Date: 23 September 2014

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## GLOSSARY OF TERMS

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For the purposes of the Code of Practice the following definitions have been adopted:

### ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- (i) Recognising,
- (ii) Selecting measurement bases for, and
- (iii) Presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or Balance Sheet it is to be presented.

### ACQUIRED OPERATIONS

Operations comprise services and divisions of service as defined in the Best Value Accounting Code of Practice. Acquired operations are those operations of the local authority that are acquired in the period.

### ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
- (b) the actuarial assumptions have changed.

### ASSETS HELD FOR SALE

Assets which are being marketed for sale for sale in their current condition.

### CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

### CLASS OF NON CURRENT ASSETS

The classes of non current assets required to be included in the accounting statements are:

**Operational assets**

- Council dwellings
- Other land and buildings
- Vehicles, plant, furniture and equipment
- Community assets
- Intangible assets

**Non-operational assets**

- Investment properties
- Heritage Assets
- Assets under construction
- Assets held for sale

Further analysis of any of these items should be given if it is necessary to ensure fair presentation.

**COMMUNITY ASSETS**

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks, cemeteries and allotments.

**CONSISTENCY**

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

**CONSTRUCTIVE OBLIGATION**

An obligation that derives from an authority's actions where:

- (a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities; and
- (b) as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

**CONTINGENT ASSET**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.



**CONTINGENT LIABILITY**

A contingent liability is either:

- (a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control; or
- (b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

**CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

**CURRENT SERVICE COST (PENSIONS)**

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

**CURTAILMENT**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- (a) termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- (b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

**DEFINED BENEFIT SCHEME**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

**DEFINED CONTRIBUTION SCHEME**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have

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## GLOSSARY OF TERMS

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sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

### DEPRECIATION

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

### DISCONTINUED OPERATIONS

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met:

- (a) the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- (b) the activities related to the operation have ceased permanently;
- (c) the termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations;
- (d) the assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing.

### DISCRETIONARY BENEFITS

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or The Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

**ESTIMATION TECHNIQUES**

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses, and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- (a) methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period;
- (b) different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

**EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

**EXCEPTIONAL ITEMS**

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

**EXPECTED RATE OF RETURN ON PENSIONS ASSETS**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**EXTRAORDINARY ITEMS**

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

**FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

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### **FINANCE LEASE**

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of a fixed asset to the lessee. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

### **GENERAL FUND**

The main revenue account of the Council covering all services apart from housing landlord functions.

### **GOING CONCERN**

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

### **GOVERNMENT GRANTS**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

### **HERITAGE ASSETS**

An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. Examples of heritage assets are historical buildings, civic regalia, and antiques.

### **IMPAIRMENT**

A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

### **INTANGIBLE ASSETS**

Assets that have no physical substance, primarily intellectual property. The most common examples for local authority purposes are computer software licenses.

### **INTEREST COST (PENSIONS)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

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## **GLOSSARY OF TERMS**

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### **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

Accounting Standards now applicable to local authorities from 2010/11 onwards, replacing the UK GAAP regime.

### **INVESTMENT PROPERTIES**

Interest in land and/or buildings:

- (a) in respect of which construction work and development have been completed; and
- (b) which is held for its investment potential, any rental income being negotiated at arm's length.

### **INVESTMENTS (PENSIONS FUND)**

The investment of the pensions fund will be accounted for in the statements of that fund. However authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

### **LIQUID RESOURCES**

Current asset investments that are readily disposable by the authority without disrupting its business and are either; readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

### **LONG-TERM CONTRACTS**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

### **NET BOOK VALUE**

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

### **NET CURRENT REPLACEMENT COST**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

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## GLOSSARY OF TERMS

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### **NET DEBT**

The authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

### **NET REALISABLE VALUE**

The open market value of the asset in its existing use (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

### **NON CURRENT ASSETS**

Non-current assets that yield benefits to the local authority and the service it provides for a period of more than one year.

### **NON-OPERATIONAL ASSETS**

Fixed assets held by a local authority but not used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets include; investment properties and assets that are surplus to requirements, pending their sale. It should be noted that the incident of rental income does not necessarily mean that the asset is an investment property, it would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the authority and the rental income is negotiated at arms length.

### **OPERATING LEASES**

A lease other than a finance lease.

### **OPERATIONAL ASSETS**

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the authority.

### **PAST SERVICE COST**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in the prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

### **PRIOR PERIOD ADJUSTMENTS**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**PROJECTED UNIT METHOD**

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- (a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- (b) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

**RELATED PARTIES**

Two or more parties are related parties when at any time during the financial period:

- (i) one party has direct or indirect control of the other party; or
- (ii) the parties are subject to common control from the same source; or
- (iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- (iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an authority include:

- (i) central government;
- (ii) local authorities and other bodies precepting or levying demands on the council tax;
- (iii) its subsidiary and associated companies;
- (iv) its joint ventures and joint venture partners;
- (v) its members;
- (vi) its chief officers; and
- (vii) its pension fund.

Examples of related parties of a pension fund include its:

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## GLOSSARY OF TERMS

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- (i) administering authority and its related parties;
- (ii) scheduled bodies and their related parties; and
- (iii) trustees and advisers.

These lists are not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

- (i) members of the close family, or the same household; and
- (ii) partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

### RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- (i) the purchase, sale, lease, rental or hire of assets between related parties;
- (ii) the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
- (iii) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- (iv) the provision of services to a related party, including the provision of pension fund administration services;
- (v) transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as council tax, rents and payments of benefits.

This list is not intended to be comprehensive

The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

### REMUNERATION

All sums paid to or receivable by employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than cash. Pension contributions payable by the employer are excluded.



**RESIDUAL VALUE**

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

**RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

**SCHEME LIABILITIES**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

**SETTLEMENT**

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- (a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pensions benefits
- (b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and
- (c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme

**STOCKS**

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:

- (a) goods or other assets purchased for resale;
- (b) consumable stores;
- (c) raw materials and components purchased for incorporation into products for sale;

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- (d) products and services in intermediate states of completion;
- (e) long-term contract balances; and
- (f) finished goods.

### USEFUL LIFE

The period over which the local authority will derive benefits from the use of fixed assets.

### VESTED RIGHTS

In relation to a defined benefit scheme, these are:

- (a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- (b) for deferred pensioners, their preserved benefits;
- (c) for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.