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# THE NARRATIVE REPORT

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## **Introduction by the Chief Finance Officer - Martin Hone**

I am pleased to present Oadby and Wigston Borough Council's Statement of Accounts for the financial year ended 31 March 2016. These accounts inform their users as to the financial performance of the Council during the year and as a result are an important element of demonstrating sound financial stewardship of the taxpayers' money.

The Council's Auditors, KPMG, commenced their audit on 4 July 2016. The audited accounts together with their recommendations were presented to the Policy, Finance and Development Committee on 20 September 2016.

Prior to approval the draft accounts were subject to a thirty day public inspection period, this must include the first ten days of July. For the 2015/16 accounts this inspection period commenced on the 1 July 2016. From that date the unaudited accounts have been available to the public on the Council's website.

The purpose of this Narrative Report is to provide an easily understandable guide to the most significant matters stated in the financial report. It provides information about Oadby and Wigston including key issues affecting the Council and its accounts.

This Statement of Accounts (the Accounts) summarises the financial position of Oadby and Wigston Borough Council for the year ended 31 March 2016. These accounts have been produced for the Council as a single entity. No group accounts are required.

The principles adopted in compiling the Statement of Accounts are those recommended by The Chartered Institute of Public Finance and Accountancy (CIPFA) namely:

- The Code of Practice on Local Authority Accounting in the United Kingdom (the Code);
- International Financial Reporting Standards (IFRS); and
- The Service Reporting Code Of Practice (SeRCOP)

The Narrative Report represents another change in reporting requirements for 2015/16, replacing and expanding on the Explanatory Foreword. It provides information about Oadby and Wigston as both a borough and organisation.

## **A Guide to Oadby and Wigston**

The Borough is located at the south east of the city of Leicester and comprises the three town centres of Oadby, Wigston and South Wigston. Along with Leicester it shares its boundaries with the two other local authorities of Harborough District and Blaby District.

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## THE NARRATIVE REPORT

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### Geography

The Borough is primarily urban in nature consisting of 2,400 hectares in area with a population of 56,000 residents. It is situated 5 miles from both Leicester City centre and from Junction 21 of the M1 motorway.

### Population

The population of the Borough is split on gender; Males 49.4% Females 51.6%

The age demographic is as follows below which shows a population that is aging when compared to both the surrounding area and the country as a whole.

Age (2011)	Oadby & Wigston	Leics County	East Midlands	England
0 – 19	24.9%	24.7%	23.7%	24.0%
20 - 64	55.7%	59.5%	59.3%	59.6%
65 - 89	18.5%	15.1%	16.3%	15.6%
90 and over	0.9%	0.7%	0.7%	0.8%

The residential population is one of the most culturally diverse in the region with the overall Black and Minority Ethnic (BME) population being 29% which is triple the Leicestershire County average and double the East Midlands regional figure. This diversity is also reflected in the religious composition of the Borough with 22% belonging to non-Christian religions compared to a national average of 9%.

### Political Structure

There has been political continuity since 1991 when the Liberal Democrats achieved an overall majority for the first time. The Council currently consists of 26 members including 19 Liberal Democrats, 6 Conservatives and 1 Labour. Councillor John Boyce is the Leader of the Council while his deputy is Councillor Michael Charlesworth.

All 26 members sit on the Full Council and this oversees decisions and actions of the four main committees. The four committees are:

- Policy, Finance & Development Committee
- Service Delivery Committee
- Development Control Committee
- Licensing & Regulatory Committee

On a national level Oadby and Wigston is contained wholly within the Harborough Constituency and is represented at Westminster by Sir Edward Garnier MP of the Conservative Party.

### Management Structure

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## THE NARRATIVE REPORT

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The Management Team comprises of the Chief Executive, Director of Services and Chief Financial Officer. Its role is to lead the organisation so that the Council can fulfil its statutory responsibilities and deliver its services and local priorities. Supporting this are a team of Service Managers across all frontline and support services of the Council.

### **Council Priorities**

The Council is committed to delivering quality services to all its residents and in order to do so have adopted the following nine underlying priorities.

#### 1) Protect the Borough

- a. The Council will resist any attempt by either the City or County Councils to impose their control over the Borough.
- b. The Council will work cooperatively and consensually with all the other Councils in Leicester and Leicestershire in order to form a Combined Authority and to seek the devolution of powers with the corresponding financial support from central government without the loss of its sovereignty.

#### 2) Maintain Front Line Services

- a. The Council is committed to free shoppers' car parking and weekly collection of waste and recycling.
- b. No major changes would ever be made to these services without consultation.

#### 3) Offering Choice when Possible

- a. The Council will offer choice wherever possible.
- b. When major decisions affecting front line services need to be considered, the Council will ensure that all the options available are explained clearly and listen and respond to residents.

#### 4) Save Money through Service Redesign

- a. The Council will look at all its services and redesign those that can be improved and cheaper to run.
- b. The main focus of this redesign will be the better and wider use of ICT, Council assets and procurement.

#### 5) Involve Residents and Partners

- a. The Council is committed to continue with the town forums and to develop other community engagement systems.
- b. The Council will work with and continue to support partners.

#### 6) Economic Development

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## THE NARRATIVE REPORT

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- a. The Council recognises the need to develop both housing and the town centres.
- b. This will be done with maximum public involvement and at minimum cost to the green spaces in the Borough.

### 7) Greening the Borough

- a. The Council will continue to invest in and encourage activities which result in a greener Borough
- b. The prioritising of the protection of trees will be a cornerstone of this commitment.

### 8) Improving the Health of Residents

- a. The Council wants to ensure residents live a full and healthy life.
- b. The Council will continue to develop its relationship with partners in order to develop and implement appropriate outcomes that attempt to achieve this.

### 9) Value for Money

- a. The Council will always accept any council tax freeze grant offered by the Government.
- b. The Council will endeavour to benchmark its services against the “most like” authorities to ensure transparency and demonstrate value for money.

## **Equality**

Oadby and Wigston Borough Council is committed to ensure that all people who visit, live or work in the Borough are treated justly and equally, are free from prejudice, fear, harassment and discrimination, and have equal access to learning, employment and social opportunities to enhance their quality of life.

## **Service Developments**

There have been significant developments to services in 2015/16. A new Customer Service Centre has opened in Wigston Town Centre giving it a central location within the Borough, easily accessible to the public. Also December 2015 saw the highly anticipated opening of the new swimming pools which bring the residents two state of the art leisure facilities.

## **The Statutory Accounts**

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## THE NARRATIVE REPORT

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The pages which follow are the Council's Statement of Accounts for 2015/16 and comprise:-

- **Statement of Responsibilities**

This sets out the respective responsibilities of the Council and the Chief Financial Officer in respect of preparation of the Statement of Accounts.

- **Accounting Policies Statement**

This explains the basis of the figures included in the accounts. The accounts can only be properly appreciated if the policies, accounting estimates and judgements, which have been followed in dealing with material items, are explained.

- **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Council, analysed into "Usable Reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line, shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The "Net Increase/Decrease before Transfers to or from Earmarked Reserves" line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

- **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards (IFRS), rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example

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## THE NARRATIVE REPORT

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the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves includes those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement of Reserves Statement line “Adjustments between accounting basis and funding basis under regulations”.

- **Cash Flow Statement**

The Cash Flow Statement shows the change in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

- **The Housing Revenue Account**

This reflects a statutory obligation to separately account for housing provision. It shows the major elements of housing revenue expenditure - maintenance, administration and capital financing costs and how these are met from rents, subsidy and other income. This account is reported using two statements – the Housing Revenue Account Income and Expenditure Statement and the Movement on the Housing Revenue Account Statement.

- **The Collection Fund**

Oadby and Wigston Borough Council acts as an agent in the collection of Council Tax and non domestic rates on behalf of other precepting authorities in Leicestershire. As such the Collection Fund is an agent’s statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing Council in relation to the collection from taxpayers and ratepayers and distribution to local authorities and the Government of Council Tax and non-domestic rates.

- **The Annual Governance Statement**

This statement summarises the systems and processes, cultures and values by which this Council is directed and controlled and through

## THE NARRATIVE REPORT

which it accounts to, engages with and where appropriate leads the community. It identifies any gaps or weaknesses and implements responding action plans.

### **Financial Performance and Monitoring**

#### **The 2015/16 Budget Process**

Once again, reduced level of core grant funding together with the limitations on Council Tax increases effectively pre-set the amount of money available for the Council to spend on services in 2015/16. The budget was, therefore, formulated with a view to ensuring that realistic service costs were reflected whilst striving to deliver services within future funding limits. The 2015/16 budget was scrutinised by both Service Delivery and Policy Finance and Development Committees before finally being approved at Full Council in February 2015. Budget performance has been reported to members at the relevant committees during the year.

#### **Financial Outturn 2015/16**

During 2015/16 the General Fund revenue account has been subject to regular monitoring through budget monitoring processes and reporting to committees. The year end net outturn position compared to budget is set out below:

	Original Budget 2015/16	Revised Budget 2015/16	Actual 2015/16	Variance Under /(Over) Spend 2015/16
	£000's	£000's	£000's	£000's
Policy, Finance and Development	2,326	2,365	2,319	46
Service Delivery	3,584	3,797	3,622	175
Development Control	491	518	441	77
Youth	14	12	11	1
Licensing and Regulatory	5	17	72	(55)
<b>Net Committee Expenditure</b>	<b>6,420</b>	<b>6,709</b>	<b>6,465</b>	<b>244</b>
Capital Financing	306	312	320	(8)
Transfer to/(from) Reserves	(257)	(552)	(450)	(102)
<b>Net Expenditure</b>	<b>6,469</b>	<b>6,469</b>	<b>6,335</b>	<b>134</b>
Financing	6,469	6,469	6,317	152
Transfer (from)/to Balances	0	0	(18)	(18)

The actual position for the year saw a contribution from the General Fund Balance of £18k which was an increase of £18k from both the original and revised budget.

The figures given above are reported on the same basis as the management accounts. These do not consider pure accounting entries that would have

## THE NARRATIVE REPORT

equal contra entries such as “Non Distributed Costs” that occur at year end and are part of the Comprehensive Income and Expenditure Statement. Additionally, the above statement only applies to the General Fund position. A full reconciliation of management information to the Statement of Accounts is included in note 30 (Amounts Reported for Resource Allocation Decisions).

### Major Changes in the Council’s Assets and Liabilities

During 2015/16 the Council expended £12.163m (2014/15 £6.748m) on capital projects as shown below.

	2015/16	2014/15
	£000's	£000's
<b>Capital Expenditure</b>		
Service Delivery (Housing Related)		
Housing Revenue Account	3,265	2,531
General Fund	415	247
	<b>3,680</b>	2,778
Service Delivery	<b>8,102</b>	3,664
Policy Finance and Development	<b>381</b>	306
<b>Total</b>	<b>12,163</b>	6,748
<b>Financed By</b>		
Capital Receipts	66	312
Government Grants	237	150
Loans	7,459	3,296
External Funding	67	130
Revenue & Reserves	3,149	663
Major Repairs Allowance	1,185	2,197
<b>Total</b>	<b>12,163</b>	6,748

The large increase in the Council’s expenditure on capital projects in 2015/16 is attributable to the major refurbishment works being carried out on the Council’s housing stock, and the reconstruction of the leisure facilities at Wigston Pool and Parklands.

In addition, the value of the Council’s assets has been assessed at year end through an external valuation. The closing value of the Revaluation Reserve as at 31 March 2016 is £13.482m (2014/15 £13.425m).

### Material Charges

Any material items impacting the Comprehensive Income and Expenditure Statement and the Housing Revenue Account are disclosed separately to ensure transparency. For 2015/16 there are no material charges other than those disclosed in the Notes to the Core Financial Statements.

### Pensions Liability

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## THE NARRATIVE REPORT

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The Council participates in the Local Government Pension Scheme administered by Leicestershire County Council – this is a defined benefit funded scheme, meaning the Council and employees pay contributions into a fund. Under International Accounting Standard 19 the Council is required to account for its share of the scheme's total liabilities. In this respect, the Council's liability to the fund has been included in the accounts in the sum of £18.586m as at 31 March 2016. This liability is matched by a corresponding reserve in the Balance Sheet which means it has no impact on the net worth of the Council. The value of the liability is assessed at each year end by an independent actuary, to establish any changes in the market or the membership of the scheme that may impact the balance. The total liability has decreased by £6.091m since the prior year due to these changes.

Further details on the pension schemes are set out in Note 36.

### **Accounting Policies**

Accounting policies have been reviewed and are explained fully in the Statement of Accounting Policies which is part of the financial statements.

### **Statutory Functions and Planned Future Developments**

There have been no changes in the statutory functions of the Council. The Council is still in the process of restructuring; however no core services have been removed during this process.

The Council has approved a net General Fund revenue budget for 2016/17 of £6.415m and a total Capital Programme of £1.761m. The Housing Revenue Account (HRA) budget is expected to be £0.151m in deficit in the forthcoming year, leaving revenue balances of around £0.442m. This is in line with its approved business plan.

### **Borrowing Facilities**

The Council is able to raise finance for capital expenditure and operational requirements from a number of approved borrowing instruments. As part of its prudential indicators and treasury strategy, the Council sets limitations on borrowing and sets strategic objectives, including the minimisation of the value and cost of external borrowing.

The Prudential Code sets the following indicators for external debt:

- The Authorised Limit - This represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short-term, but is not sustainable. It is the expected maximum borrowing need with some head room for unexpected movements. This is the statutory limit under Section 3 (1) of the Local Government Act 2003.
- The Operational Boundary - This indicator is based on the probable external debt during the course of the year. It is not a limit and actual

## THE NARRATIVE REPORT

borrowing could vary around the boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

The following table illustrates the limits and levels of borrowing as at 31 March 2016 as compared to the preceding year end.

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000's</b>	<b>£000's</b>
<b>Borrowing Limits</b>		
Authorised	<b>34,000</b>	38,000
Operational	<b>32,000</b>	36,000
<b>Other Resources</b>		
Long-term	<b>19,144</b>	19,114
Short-term	<b>8,010</b>	3
Bank Overdraft	<b>419</b>	84
	<b>27,573</b>	19,201

The Council has in place an overdraft facility with its bankers in the sum of £1.0m (£1.0m 2014/15).

The Council also utilises operating leases primarily in respect of operational vehicles and finance leasing relating to photocopying equipment. Leasing obligations are shown in note 29 to the core financial statements.

### Reserves and Balances

The following table sets out the resources available to the Council to meet its capital expenditure plans and other financial commitments as at 31 March 2016.

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000's</b>	<b>£000's</b>
<b>Revenue Reserves</b>		
General Fund	<b>996</b>	1,014
Housing Revenue Account	<b>1,346</b>	2,723
<b>Other Resources</b>		
Useable Capital Receipts	<b>729</b>	579
Earmarked Reserves	<b>3,142</b>	4,802

### Impact of the Current Economic Climate

2015/16 saw a continuation of the Government's austerity programme and with it a reduction in central government grants to fund Council services. Interest rates remained at an all time low of 0.5% throughout the financial

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## THE NARRATIVE REPORT

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year, which once again reduced income streams from investing the Council's cash balances.

Although the economic outlook improved nationally during the year the Council failed to keep income at the same levels as 2014/15 particularly in areas such as Development Control and Recycling Disposal. Council house sales remained at broadly the same level as the previous year.

2016/17 will see a further continuation of the current government policy with further reductions in future funding planned for 2017/18.

- Interest rates continue at a low level, with the current bank base rate set to remain at 0.5% throughout 2016/17.
- If the economic outlook continues to remain positive then services that reflect this such as planning application and building control services should continue to generate good levels of income.
- Council house sales through the Right to Buy Scheme should continue at a similar level to 2015/16.
- The Council will need to be mindful of the impact that the 'leave' result of the EU Referendum will have on the borough as well as wider economy of the United Kingdom. Negotiations to leave the EU will be carried out by the UK government, however, at present the full economic impact of this is unknown (Note 2 of the Core Statements)

### Receipt of Further Information

For further information about these accounts please email [finance@oadby-wigston.gov.uk](mailto:finance@oadby-wigston.gov.uk) or write to The Chief Financial Officer, Council Offices, Station Road, Wigston, Leicestershire LE18 2DR

### Acknowledgements

The production of the Statement of Accounts would not have been possible without the exceptionally hard work and dedication of staff across the Council and in particular the Finance Section. I would like to express my thanks to all colleagues who have assisted in the preparation of this document. I would also like to thank them for all their support during the financial year.

**Martin Hone CPFA**  
Chief Finance Officer

**Date: 20 September 2016**