

	<p style="text-align: center;">SPECIAL AUDIT COMMITTEE</p> <p style="text-align: center;">9 JULY 2004</p>	<p>AGENDA ITEM:</p>
<p>DRAFT STATEMENT OF ACCOUNTS 2003/4</p> <p>Ward(s): ALL</p> <p>Forward Plan: Yes</p>		
<p>Portfolio: Cllr J. G. O'Hare – Resources and Performance Management</p> <p>Service Area: Corporate financial report, covering all services.</p> <p>Summary of report: This report presents the draft Statement of Accounts for the financial year 2003/4 in accordance with the Accounts & Audit Regulations 2003.</p>		
<p>Background Papers: Various financial working papers.</p>		
<p>Recommendations:</p> <ol style="list-style-type: none"> 1. Approve the draft Statement of Accounts attached at Appendix 1 in order that they may be placed on deposit for public inspection for 20 working days commencing 23.07.04. 2. Note that the draft Statement of Accounts were submitted for external audit on 30.06.04. 3. Endorse the Statutory Determinations set out in paragraph 2 of the main report and Appendix 2. <p>Signed:</p> <p>Executive Director: Carole Evans</p> <p>Date: 30.06.04</p>		
<p>Resource and Legal Considerations</p> <p>As at 31.03.04 the draft Statement of Accounts shows aggregate general fund services, (including PSE's and earmarked reserves) to have underspent by £2.805 m against a budget of £305.920 m. The overall effect results in net general reserves of £6.168 m as at 31.03.04. These figures are subject to annual audit, and may require routine adjustments.</p>		

<p>Under s10 of the Accounts and Audit Regulations 2003, a draft Statement of Accounts must be approved by a resolution of a committee of the Council prior to the document being placed on deposit for public inspection and has to be signed and dated by the person presiding at the committee giving the approval. Under s16 of the Audit Commission Act 1998 the Authority's External Auditor will be available from 10.00 am on 20.08.04 for any local government elector or their representative to question him about the accounts or make any objections. The Statement of Accounts will therefore be available for inspection for the period 23.07.04 to 19.08.04 inclusive. A public notice to this effect is placed in the local newspapers.</p>
<p>Citizen Impact The 2003/4 budget was policy-led and aligned with activity in service plans. Investment was targeted at recovery, service improvement, stability and service-user demand. Demonstration of financial stability and management promotes public confidence and credibility.</p>
<p>Environment Impact Some investment within the statement of accounts supports environmental improvements.</p>
<p>Performance Management and Risk Management Issues The 2003/4 outturn provides a sound, stable financial foundation to embed corporate recovery and drive service improvement. As part of the council's performance management system, managers are set many targets, one of which is to deliver their service targets within the cash limited budget. This has been demonstrated in 2003/4.</p>
<p>Equality Implications Services have regard to equalities issues in delivering services.</p>
<p>Consultation The report is prepared in consultation with various managers and executive directors.</p>
<p>Contact Officer: Vicky Crowshaw, Head of Corporate & Strategic Finance, 01922 652349 crowshawv@walsall.gov.uk</p>

1 CONTENTS OF THE STATEMENT

1.1 Approval by committee

Under the Accounts and Audit Regulations 2003, the draft Statement of Accounts must be approved by a resolution of a committee of the Council prior to the document being placed on deposit for public inspection and has to be signed and dated by the person presiding at the committee giving the approval.

1.2 The Explanatory Foreword

This explains the most significant matters reported in the accounts. It provides an overview of the statement and comments on any major influences on the councils' income, expenditure and cashflow. An explanation of the contents of the document is included, describing their purpose and relationship between the various sections. Total expenditure and income is also summarised and compared with budgets.

1.3 The Statement of Responsibilities

This section describes the councils' responsibilities for the statement under local government legislation and other requirements. It also outlines the Chief Financial Officer's legal and professional responsibility for the accounts.

1.4 The Statement on the System of Internal Control

The Accounts and Audit Regulations 2003 requires the council to publish a statement formally acknowledging that it has maintained effective internal control during the course of the financial year. The statement should include financial management, arrangements for the management of risk, and include its corporate governance arrangements. In addition, the authority must conduct an annual review of the effectiveness of its system of internal control.

1.5 The Financial Statements

This section details the main accounts the council maintains as follows:

1.5.1 The Consolidated Revenue Account (page 14)

This shows the detail of the Authority's revenue costs for 2003/4 compared with 2002/3. The summary consolidated revenue account is displayed under five separate sections: net cost of services; net operating expenditure; appropriations to or from reserves; amounts to be met by Government grants and local taxpayers and the net surplus or deficit for the year.

1.5.2 The Consolidated Balance Sheet (page 15)

This shows the council's assets and liabilities and other balances as at 31.3.04. These figures include all the authority's activities except the Pension Fund, Trust Funds and similar funds administered for third parties. A series of notes to the

balance sheet explain capital expenditure and disposals, leasing and capital financing.

1.5.3 The Cashflow Statement (page 17)

This shows the movement of cash into and out of the Authority throughout the year.

1.6 The Housing Revenue Account (page 42)

This account covers all the expenditure and income relating to council houses and flats. Due to the large scale voluntary transfer of the housing stock on 27 March 2004, the council will close the HRA with effect from 31.3.04.

1.7 The Collection Fund (page 45)

This statement summarises the council's transactions relating to council tax, community charge/poll tax; national non-domestic rates and precepts.

1.8 Other Financial Accounts - Trusts and Scholarships

This relates to gifts and bequests made to and held or administered by the authority. These are accounted for separately from the council's consolidated revenue account and balance sheet.

1.9 The Statement of Accounting Policies

This lists all significant accounting policies including that the accounts have been prepared according to CIPFA's Code of Practice and relevant Statements of Recommended Practice (SORPs).

1.10 Glossary of Terms

This section provides explanations of the terms used throughout the Statement of Accounts.

2 **STATUTORY DETERMINATIONS**

2.1 Part IV of the Local Government and Housing Act 1989 requires local authorities to advise this committee of relevant determinations, as set out in the Act. These are detailed at **Appendix 2**.

2.2 Section 42 of the act requires all capital expenditure incurred by the authority that is not charged to the Council's consolidated revenue account to be declared. This includes the amount of capital expenditure reimbursed by persons other than the council.

2.3 Under Section 45 of the act the council is required to establish a range of borrowing limits each financial year. These limits relate to the maximum amount of borrowing allowed outstanding at any time, maximum short-term borrowing allowed within the overall limit and how much of the total interest payable can be at a variable rate.

Short-term borrowings are loans repayable within twelve months from the start of the loan. These limits help establish a structure for the internal management of borrowing.

- 2.4 The authority is required to disclose under Section 56 of the Act, how credit approvals and usable capital receipts have been used and whether any have been transferred to or from other local authorities. If this disclosure is not made then the total credit approval received by the Authority will lapse and be unusable.

3 AUDIT COMMISSION

- 3.1 The audit of the Authority's Accounts commenced on 01.07.03 and is expected to be complete by 31.08.04.

**Draft
Statement of
Accounts**

2003/04

Walsall MBC

30 June 2004

WALSALL METROPOLITAN BOROUGH COUNCIL



APPROVAL OF THE ACCOUNTS:

Section 10 of the Accounts and Audit Regulations 2003 requires that the Statement of Accounts be approved by a resolution of a committee of the Council and signed by the Chair of the said committee.

Section 3 (12) of the Council's constitution delegates this power to the Audit committee. A meeting of this committee was held on 9 July 2004 and the draft Statement of Accounts for 2003/04 were received and approved.

SIGNED:

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DATED: . 9th July 2004.....

Chair, Audit Committee

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INTRODUCTION

1. PURPOSE OF THE EXPLANATORY FOREWORD

The purpose of this foreword is to provide:

- An introduction to the Statement of Accounts;
- An overview and explanation of the council's financial performance in 2003/4.

The certification by the responsible financial officer, that the accounts present fairly the position of the council as required by the Accounts & Audit Regulations 1996 and 2003, is contained within the statement of responsibilities on page 8.

1. AN INTRODUCTION TO THE STATEMENT OF ACCOUNTS

The Statement of Accounts shows in financial terms, the performance of the council for the year ended 31 March 2004. It is a statutory publication produced in accordance with legislative requirements, the Accounting Code of Practice (ACOP) on Local Government Accounting in Great Britain and the Best Value Accounting Code of Practice (BVACOP). Figures for the previous financial year are included for comparative purposes where relevant.

Council expenditure can be divided into two broad categories:

Revenue – day-to-day spending on items such as salaries & wages, purchase of equipment, services and materials, and the heating and lighting of premises. The cost of these items is either accounted for in the general fund or the housing revenue account (HRA).

Capital – this expenditure relates to the purchase of major items such as land and buildings, and the construction of essential infrastructure such as roads.

The Statement of Accounts presents a number of separate accounts as follows:

General fund - this is the council's main revenue account containing day-to-day spending by services including education, social care, environmental services, etc.

Collection fund - this records the transactions arising from the collection of locally levied or collected taxes such as council tax and the national non domestic rates (also known as business rates) and residual transactions from the previous form of locally-levied taxation (community charge/poll tax).

Housing revenue account – Under the Local Government and Housing Act 1989, councils must maintain a separate account for expenditure and income relating to their housing stock (e.g.: rents and repairs to council houses). This is called “ringfencing” and the HRA cannot be subsidised by the general fund. 2002/3 was the final year in which the council collected rents and produced detailed HRA information, as on 27 March 2003 the council's housing stock transferred to Walsall Housing Group (WHG) and Walsall Alliance of Tenant Management Organisations (WATMOS).

2. AN OVERVIEW OF THE COUNCIL'S FINANCIAL PERFORMANCE IN 2003/4

2. GENERAL FUND

The overall position on revenue expenditure for all of the council's services (including levies, PSE's and earmarked reserves) was £303.115 million, against a budget of £305.920 million, resulting in an underspend of £2.805 million. This is to be added to general reserves brought forward of £3.363 million, leaving a balance of £6.168 million at the end of the year. (Table A, page 14).

This continuing stabilised position reflects the positive action taken by the council to implement ongoing savings, consolidate sound budget management and control processes and ensure our income base is adequate for the levels of service provided. The 2003/04 outturn provides a sound base for the medium term period commencing 2004/05.

3. COLLECTION FUND

The collection fund shows an accumulated deficit of £0.218 million at 31 March 2004, of which £0.037 million will be paid to the precepting authorities (the Police and Fire & Civil Defence Authorities). The deficit of £0.255 million will be met from future year surpluses or otherwise from council tax. For more details see pages 45 to 47.

4. HOUSING REVENUE ACCOUNT

The housing revenue account shows a deficit for the current year of £0.804 million which added to the surplus balance brought forward from 2003/04 of £2.930 million produces an accumulated surplus of £2.126 million to be carried forward into 2004/05. For more details see section A, page 42. The council received Secretary of State approval to close the HRA with effect from the 31 March 2004. This approval was given as a result of the authority's housing stock being transferred to Walsall Housing Group and WATMOS on 27 March 2003. All HRA balances will transfer to the general fund as at 1 April 2004. Of this, £1.877 million has been utilised in setting the 2004/05 budget.

5. COUNCIL TAX

For 2003/04, the council increased council tax by 19.3% (including precepts) to £1,189.92 for a band D property. This was expected to raise £82.086 million in 2003/04. The collection rate has again improved over the previous year to 96.8% (96.3% in 2002/03) of the net debit.

6. GENERAL FUND RESERVES AND BALANCES

This reserve is the result of accumulated underspends on services and is available to support expenditure generally. In setting the forecast for 2003/04, the council at its meeting on 3 March 2003 approved a sum of £1.6 million to increase the level of balances. The final outturn position for 2003/04 therefore shows a net contribution to reserves of £2.805 million. This has been added to the opening reserves of £3.363m to leave a balance at 31 March 2004 of £6.168 million. The budget for 2004/05 uses £2.132 million of this to support one-off prudent investment items.

7. CAPITAL EXPENDITURE

The council continues to have a successful approach to maximising external funding, and has made match funding contributions to a range of capital schemes completed in partnership with external bodies. The council spent £35.8 million on capital expenditure in 2003/04, compared with the programmed spend of £51.7 million. Resources totalling £22.9 million were used to finance capital expenditure that did not result in any increase in market value of assets held by the council and as such merely enhanced the working

life of those assets. Under current accounting procedures this expenditure has been recorded in the council's fixed asset restatement reserve and not in the council's asset register. In addition, £5.46 million was expended on non-council assets which have been accounted for as deferred charges and have been written out of the council's accounts fully within the year.

8. ASSETS

Assets in the balance sheet have been included at current values. This affects the councils' revenue accounts, which are charged with capital charges for all fixed assets used in the delivery of services, thereby increasing the reported costs of services by £38.179 million in 2003/04. This includes land and buildings for foundation schools. However, as can be seen from the Consolidated Revenue Account on page 14, there is no overall impact upon the council's net operating expenditure and therefore no impact on the level of council tax. This presentation highlights the value of the authority's asset portfolio which is presently valued at £786.719 million (see explanatory note 20 on page 26) and the cost of using these assets in the provision of services.

9. CAPITAL FUNDING

The council used credit approvals enabling borrowing of £16.98 million (£13.264 million in 2002/03). Explanatory note 43 on page 35 shows how these approvals were utilised and how capital expenditure was financed.

10. SURPLUSES AND DEFICITS

In summary, the main accounts of the council show the following surpluses and deficits:

TABLE 1 – SUMMARY OF SURPLUSES AND DEFICITS		
2002/03 £ 000 (SURPLUS)/ DEFICIT	ACCOUNT	2003/04 £ 000 (SURPLUS)/ DEFICIT
(1,348)	General fund. (see page 14)	(2,805)
69	Collection fund (see page 47)	303
(2,400)	Housing revenue account (see page 42)	804

Surpluses and deficits on public sector enterprises (PSE's) and other trading accounts form part of general fund services.

11. PFI SCHEMES

The council currently has 2 Private Finance Initiatives (PFI's) in operation. A public lighting PFI will replace the majority of the council's streetlights over a 3-year period and maintain all public lights over a 25-year period. This initiative is funded by a contribution from the council's revenue budget and a special grant from central Government.

A school PFI initiative will build and operate the St Thomas More School. The contractor has designed and built the school and will finance and operate it over a 25-year period. This initiative is funded from a contribution from the schools' governing body, a Department for Education grant, a contribution from the Diocese and a special grant from central Government.

Resources attributable to both the above initiatives are ring fenced and used for no other purpose than the PFI. Associated transactions are not included in the council's balance sheet, as an evaluation, in accordance with FRS5, has established that sufficient risk for delivering the projects rests with the private partners concerned.

12. EDUCATION WALSALL

Whilst the council continues to be a local education authority (LEA), the provision of schools related LEA services were transferred to an external organisation (Education Walsall) in December 2002.

13. FRS17

Local authorities have to account for pension schemes in line with Financial Reporting Standard 17 (FRS 17 Retirement Benefits) following its full implementation into the accounting code of practice for 2003/04. The effects of implementing FRS17 are shown within the consolidated revenue account and consolidated balance sheet. There is no effect on council tax from the introduction of this standard. The figures disclosed in these accounts represent a snapshot in time. At present the accounts show that there is a significant shortfall between the forecast cost of future pensions and the current level of assets built up in the pension fund. However, these forecast pension payments will be paid out over a period of many years during which time the assets will continue to generate returns towards funding them. Further details can be found in notes 18 and 19 (page 24).

3. STATEMENT OF RESPONSIBILITIES

WALSALL COUNCIL'S RESPONSIBILITIES:

The audit committee of the council is required to approve the Statement of Accounts. In addition, it has a duty to make arrangements for the proper administration of its financial affairs, to ensure economic, efficient and effective use of its resources and to safeguard its assets. This responsibility is vested in the Chief Financial Officer.

THE CHIEF FINANCIAL OFFICER'S RESPONSIBILITIES:

Walsall Council's Chief Financial Officer is Carole Evans. This officer is responsible for the administration of the council's financial affairs including the preparation of the Statement of Accounts. The purpose of the Statement of Accounts is to show in financial terms the performance of the council during the year and to present fairly the financial position as at 31 March 2004.

In preparing the statement, the Chief Financial Officer has:

- Adopted and consistently applied suitable accounting policies;
- Made reasonable and prudent judgements and estimates;
- Complied with legislative requirements and the Accounting Code of Practice (ACOP) on Local Government Accounting in Great Britain;
- Applied the accounting concept of a "going concern" by assuming that the authority's services will continue to operate for the foreseeable future.

In addition, proper and up to date accounting records have been maintained and reasonable precautions taken to prevent and detect fraud and other financial irregularities.

CERTIFICATION OF THE ACCOUNTS

I certify that the Statement of Accounts presents fairly the position of Walsall Metropolitan Borough Council as at 31 March 2004, and its income and expenditure for the year ended 31 March 2004.

.....
CAROLE EVANS, CPFA
Executive Director (Finance, Legal and Performance)
Chief Financial Officer.
30 June 2004

4. STATEMENT ON SYSTEM OF INTERNAL CONTROL

1. SCOPE OF RESPONSIBILITY

This statement is given in respect of the 2003/04 statement of accounts for Walsall MBC. The authority acknowledges its responsibility for ensuring that its business is conducted in accordance with the laws and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. The authority is also responsible, in accordance with the Local Government Act 1999, for ensuring it has appropriate arrangements in place to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this responsibility, Walsall MBC is also responsible for ensuring that there is a sound system of internal control, which facilitates the effective exercise of its functions and which includes arrangements for managing risk.

The authority acknowledges its responsibilities and ensures it has an effective system of internal control which is maintained and operated in connection with proper practice. This statement has been prepared with regard to and in accordance with proper practices as established in section 4 of the CIPFA guidance 'Statement on Internal Control in Local Government – meeting the requirements of the Accounts and Audit Regulations 2003'.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage and, where possible, mitigate risk to a reasonable level. Any system of internal control can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a framework of regular management information, financial and contract procedure rules, established procedures, a performance management framework, management supervision in accordance with the corporate IPM framework, a comprehensive risk management strategy and process, and a system of delegation and accountability.

A comprehensive risk management framework is in place, designed to identify, evaluate, manage and where possible, mitigate, risks to the council in delivering its objectives. There is an ongoing programme of reporting and review of both strategic and operational risks, and this extends to an assessment of risks in service planning and major projects.

The system of internal control set out in this document has been in place at Walsall for the year ended 31 March 2004 and up to the date of approval of the annual statement of accounts.

3. THE INTERNAL CONTROL ENVIRONMENT

The council acknowledges its responsibilities in ensuring the following key elements of the system of internal control are in place and this statement provides further information on how it achieves this:

- Establishing and monitoring the achievement of the authority's objectives;
- The facilitation of policy and decision making;
- Ensuring compliance with established policies, procedures, laws and regulation, including how risk assessment is embedded in the activity of the authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
- Financial management of the authority and the reporting of financial management;
- Ensuring the economical, effective and efficient use of resources and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty;

- Performance management of the authority and the reporting of performance management.

There are a number of key elements of the internal control environment which ensures the council is able to monitor and manage the achievement of council objectives. These are included in the council's published overarching strategies and plans including; the community strategy; best value performance plan; medium term financial strategy and capital strategy.

These documents set out the council priorities, vision and key pledges. They are supported by service and team plans, which contain detailed targets and performance indicators to support the achievement of council objectives. A comprehensive performance management framework exists, and performance is reported regularly to senior management teams, EMT, cabinet, relevant scrutiny and performance panels and audit committee, etc as required.

The council's commitment to continuous improvement is evidenced in our corporate performance assessment action plan, which is subject to review and update. The council recognises that it cannot achieve this without community and partner engagement. It is committed to working with partners through the Local Strategic Partnership, and with the community and partners, through the establishment of Local Neighbourhood Partnerships.

The council's constitution sets out how the authority operates and refers to required procedures to be followed to ensure all activity is transparent and accountable to the local community. This includes a scheme of delegations and contract and financial procedure rules, which set out the control environment in which the council operates.

The council has an established comprehensive risk management framework, supported by a corporate risk manager. Strategic risks are identified, evaluated and reported on a quarterly basis to senior management and EMT. Cabinet also receive reports on risk management.

Each directorate has identified directorate risks and service plans include a risk management section. Financial risks are assessed regularly and as part of the annual budget process and regular reporting of the financial position. A corporate financial risk assessment informs the medium term financial strategy and the annual level and appropriateness of general and other reserves. Each directorate has a risk champion and individual posts are risk assessed within the council and are subject to annual review. Risk workshops are held to ensure risk champions and those involved in the assessment and management of risk are appropriately trained. A corporate risk register exists which is subject to regular review.

The council acknowledges its responsibility for ensuring that an effective system of internal control, including financial control, is maintained and operated in connection with the resources concerned. Any system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period. Development and maintenance of the system is undertaken by managers within the council. In particular, the system includes:

- A comprehensive risk management strategy and framework, operating at both strategic and operational levels;
- A risk assessed internal audit programme which is planned in advance to cover all major systems of internal control and which is based on a risk assessment of key controls and delivered by an appropriately resourced internal audit function;
- A comprehensive budget management and control framework, supported by procedures and guidelines;
- Comprehensive budgeting and accounting systems;
- Financial and contract procedure rules;
- Setting clear targets to measure financial and other performance through a performance management framework;

- The preparation of regular performance and financial reports to managers, executive directors and elected members which indicate actual expenditure against targets and highlight remedial action, where required;
- Clearly defined capital expenditure strategy and guidelines;
- The council has adopted project management principles as the methodology for medium and large-scale ICT projects, and now requires all projects to be managed using the same underlying principles;
- Implementation of an accountable body status protocol agreed by the executive management team in April 2003, to ensure that activities are administered consistently and robustly across the council.

Arrangements for the provision of internal audit are contained within the council's constitution. The Executive Director (Finance, Legal and Performance) is responsible for ensuring that there is an adequate and effective system of internal audit of the council's accounting records and of its systems of internal control as required by the Accounts and Audit Regulations 2003. In undertaking their work:

- The Chief Internal Auditor has the right to report directly to the Chief Executive, Executive Directors and members when this is appropriate, as well as routinely reporting to the Chief Financial Officer and operational managers;
- Internal audit operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom under the day-to-day control of the Chief Internal Auditor who acts independently;
- The internal audit service plans and prioritises its work through a combination of assessment and review of the council's service provision, corporate governance arrangements, risk management processes and key internal control systems, supplemented by a programme of fraud and irregularity/consultancy work and scheduled visits to council establishments;
- The annual work plan is endorsed by the Audit Committee. Reports, including an assessment of the adequacy of control and action plans to address weaknesses, are submitted promptly to Executive Directors, general and service managers, school heads and chairs of governors as appropriate. Quarterly progress reports are submitted to the council's Audit Committee for scrutiny purposes.

The council has introduced a corporate performance management framework which has built-in monitoring at all levels, from setting priorities to individual performance management in service delivery. A corporate performance management service has been established to support delivery and review the effectiveness of the framework.

A comprehensive system of performance monitoring and reporting is in place at service management, executive management and member level. This includes regular Beacon Index reports to scrutiny and performance panels and cabinet. Quarterly reports are also presented to senior management, including the executive management team. A corrective action planning process is in place for all indicators not achieving target and progress is continually monitored.

The audit committee receives reports on implementation of audit recommendations from audit work, details of recommendations successfully implemented and, where required, ensures agreed recommendations are actioned and managed.

4. REVIEW OF EFFECTIVENESS

The council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the heads of service/general and service managers within the council and its internal auditors, the work of the external auditors in their annual audit letter and other reports and the findings of corporate governance and other internal inspections, best value reviews and comprehensive performance assessments.

The executive management team and cabinet receive regular monitoring reports on performance management, including progress against key objectives and targets and corrective action planning; the overall financial position and updates on performance in relation to management of key risks to the organisation;.

Audit committee has a scrutiny role in terms of receiving reports on the effectiveness of the internal control systems through receipt and scrutiny of the quarterly internal audit reports and a sample of completed audit reports are selected for further detailed review and scrutiny. In addition, audit has a 5 year risk assessed strategic plan which has been endorsed by audit committee.

The constitution clearly sets out the role of officers and members, including the three statutory posts of the chief financial officer (S151 officer), head of paid service and monitoring officer.

The council continuously reviews the manner in which its corporate governance responsibilities are discharged. This has led to a number of changes being made to the executive and management decision making arrangements. A review of the Constitution is underway and the recommendations arising will be implemented during 2004/5.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

The council acknowledges that the identification, analysis and management of risks for the delivery of the council's objectives are key to maintaining an effective system of internal control. It is also recognised that there remains a further need to fully embed the internal control procedures across the organisation. For example, the council implemented a robust comprehensive performance management framework, which, although implemented across the council, requires time to fully embed and for the council to fully evaluate its effectiveness. As a result, a corporate performance management service has been created which is monitoring and evaluating the framework. Recommendations arising from this will be implemented during 2004/5.

The council has recently, and during 2003/4 in particular, gone through a period of rapid change. A key project affecting continuous improvement in 2005/6 and beyond is delivery of the Putting the Citizen First Project. The key risks in respect of this have been identified and are continually monitored and reviewed.

There are a number of challenges ahead that will impact on the internal control environment and governance arrangements, some arising from internal audit activity in 2003/04. The key challenges include:

- The council is planning a number of replacement systems. Continued reliance on the internal control environment is dependent on investment in robust information and communication technology systems and vigorous project management and risk management during the transitional period. Internal audit is involved in these replacement projects at each stage and a robust action plan is in place for each, using project management principles, and each is risk assessed and continually reviewed and assessed;
- A review of system reconciliations has identified two areas where an in-balance arose. Adjustments have now been actioned to rectify this and procedures have been revised to ensure no further repeat;
- Improving performance in respect of grant claims and reducing the number of qualifications to a minimum level. An action plan has been drawn up to achieve this and ongoing monitoring is in place. Grant workshops have been held in May and June 2004, a key part of this action plan.

In approving this statement, the views and assurances of the statutory officers and executive directors have been sought and appropriate evidence obtained to support it.

.....
CAROLE EVANS, CPFA
Executive Director (Finance, Legal and Performance)
Chief Financial Officer
9 July 2004

In approving this statement, the views and assurances of the statutory officers and executive directors have been sought and appropriate evidence obtained to support it.

ANNIE SHEPPERD
Chief Executive
9 July 2004

In approving this statement, the views and assurances of the statutory officers and executive directors have been sought and appropriate evidence obtained to support it.

COUNCILLOR TOM ANSELL
Leader of the Council
9 July 2004

MAIN FINANCIAL STATEMENTS

A. CONSOLIDATED REVENUE ACCOUNT

Net Expenditure £ 000	Service	Gross Expend- iture £ 000	Gross Income £ 000	Net Expend- iture £ 000
4,825	Central services to the public	5,600	3,188	2,412
34,791	Cultural, environmental & planning services	60,072	24,716	35,356
164,877	Education services	228,042	52,156	175,886
7,369	Highways, roads & transport services	17,307	6,718	10,589
3,775	Housing services (general fund)	84,154	72,516	11,638
66,394	Social care	114,764	39,054	75,710
747	Court services	819	41	778
6,284	Corporate & democratic core	6,657	30	6,627
2,141	Non-distributed costs.	2,666		2,666
0	Exceptional items – WMBC property revaluations (See Note 1)	(1,406)		(1,406)
291,203	Net Cost of General Fund Services	518,675	198,419	320,256
(2,400)	Housing - HRA	1,051	247	804
288,803	Net Cost of Services	519,726	198,666	321,060
	Other Operating Costs:			
864	▪ Environment Agency Levy			900
9,700	▪ West Midlands Transport Levy			11,003
78	▪ West Midlands Probation			0
(2,909)	▪ Interest and Investment Income			(5,337)
558	▪ (Surpluses) / Deficits on Trading Undertakings (See Note 2)			568
(3,911)	▪ Pension interest costs & expected return on pensions assets			8,559
(16,234)	▪ Transfer from Asset Management Revenue Account (See Note 3)			(14,326)
276,948	Net Operating Expenditure			322,427
	Appropriations to or from Reserves:			
(13,461)	▪ Capital financing reserve (MRP adjustment)			(13,067)
2,560	▪ Housing revenue account			(804)
(197)	▪ Miscellaneous balances			(77)
6,241	▪ Other earmarked reserves			7,718
4,789	▪ Pension Reserve			(8,536)
(1,651)	▪ Schools			808
13	▪ Community associations			110
(3,405)	▪ Deferred charges			(5,464)
271,837	Amount to be met from Government Grants and Local Taxation			303,115
	This was financed by:			
(663)	▪ Collection fund surplus			(500)
(68,056)	▪ Council tax			(82,086)
(77,493)	▪ Non-domestic rate income			(74,172)
(124,276)	▪ Revenue support grant			(149,162)
(270,488)				(305,920)
1,348	(Surplus)/ Deficit for the year			(2,805)
(4,711)	General reserve balances at start of the year			(3,363)
(3,363)	Leaving year end general reserve balances of:			(6,168)

Supporting notes 1 to 19 on pages 18 to 26 provide additional detail to support the Consolidated Revenue Statement.

B. CONSOLIDATED BALANCE SHEET

This statement summarises the council's financial position as at 31 March 2004. It shows the balances and reserves at the council's disposal, fixed assets and current assets employed in operations and the council's long term borrowing position.

31 March 2003 £000	Consolidated Balance Sheet	31 March 2004 £ 000	Notes
	ASSETS AND LIABILITIES		
	LONG TERM ASSETS		
551,249	Fixed Assets	786,719	20
6,002	Deferred Charges	5,005	21
8,546	Long Term Investments	8,546	22
13,526	Long Term Debtors	13,419	23
579,323		813,689	
	CURRENT ASSETS		
817	Stocks and Work in Progress	932	24
81,181	Debtors	37,604	25
75,419	Investments	57,967	26
2,805	Cash in Hand	2,772	27
160,222		99,275	
	CURRENT LIABILITIES		
(2,041)	Cash Overdrawn	(9,191)	27
(300)	Borrowing repayable on demand or within 12 months	(325)	28
(98,216)	Creditors	(40,796)	29
(100,557)		(50,312)	
638,988	TOTAL ASSETS LESS CURRENT LIABILITIES	862,652	862,652
	LONG TERM LIABILITIES		
(306,882)	Long Term Borrowing	(188,509)	30
(6,035)	Provisions	(6,706)	31
(168,115)	Liability related to defined benefit pension scheme	(153,931)	40
		(349,146)	
157,956	TOTAL ASSETS LESS LIABILITIES	513,506	513,506
	RESERVES		
(3,363)	General Fund Reserve	(6,168)	32
(2,930)	Housing Revenue Account Reserve	(2,126)	33
(644)	Collection Fund Reserve	218	34
(14,588)	Other Earmarked Reserves	(21,828)	35
	CAPITAL ACCOUNTING BALANCES		
(21,148)	Usable Capital Receipts Reserve	(23,102)	36
(12,577)	Deferred Premiums & Credits	(11,152)	37
(206,015)	Capital Financing Reserve	(316,900)	38
(22,441)	Deferred Government Grants and Contributions	(20,534)	38
(42,365)	Fixed Asset Restatement Reserve	(265,845)	39
		(637,533)	
168,115	PENSIONS RESERVE	153,931	40
(157,956)	TOTAL RESERVES AND BALANCES	(513,506)	(513,506)

Notes 20 to 49 on pages 26 to 38 provide additional detail to support the Consolidated Balance Sheet Statement.

C. STATEMENT OF TOTAL MOVEMENT IN RESERVES

This statement brings together all the recognised gains and losses of the authority during the year and identifies those which have and have not been recognised in the Consolidated Revenue Account. The statement separates the movements between revenue and capital reserves.

2002/03 £'000	Statement of Total Movements in Reserves	2003/04 £'000	
(1,348)	General Fund surplus / (deficit)	2,805	
2,400	Housing Revenue Account surplus / (deficit)	(804)	
5,595	Add back movements on earmarked revenue reserves	6,377	
(8,985)	Deduct Appropriation from pension reserves	(21,851)	
(124,504)	Actuarial gains and losses relating to pensions	36,202	
(126,842)	TOTAL INCREASE / (DECREASE) IN REVENUE RESOURCES. see Notes 32-35 and 40		22,729
2,328	Increase / (decrease) in useable capital receipts	3,005	
15,704	Increase / (decrease) in unapplied capital grants and contributions	(1,050)	
	Deferred Credits	(1,425)	
18,032	TOTAL INCREASE / (DECREASE) IN REALISED CAPITAL RESOURCES. See Notes 36 & 37		530
62,264	Gains/(losses) on revaluation of fixed assets	240,795	
-	Impairment losses on fixed assets due to general changes in prices	-	
-	Gains/(losses) on market value of investments	-	
62,264	TOTAL UNREALISED INCREASE / (DECREASE) IN VALUE OF FIXED ASSETS. See Note 39		240,795
-	VALUE OF ASSETS SOLD, DECOMMISSIONED OR REALISED. See Note 39	(17,315)	(17,315)
15,352	Capital receipts set aside	388	
14,188	Revenue resources set aside	110,497	
686	Movement on Government Grants Deferred	(1,907)	
(703)	Movement on Major Repairs Reserve		
29,523	TOTAL INCREASE / (DECREASE) IN AMOUNTS SET ASIDE TO FINANCE CAPITAL INVESTMENT See Note 38		108,978
13,774	INCREASE /(DECREASE) ON THE PENSIONS RESERVE. See Note 40	13,315	13,315
(279,806)	TOTAL RECOGNISED GAINS AND LOSSES	369,032	369,032

See Notes 32 to 40 on pages 30 to 33 for further details.

D. THE COUNCIL'S CASHFLOW STATEMENT

Cash inflow occurs when cash receipts exceed cash payments and cash outflow where cash payments exceed receipts.

2002/03 £'000	Cash Flow Statement	2003/04 £'000	
	REVENUE ACTIVITIES		
	Cash Outflows		
220,440	Cash paid to employees	172,913	
210,394	Other operating costs	270,826	
18,693	Housing benefit paid	61,582	
59,514	NNDR payments to national pool	53,600	
17,733	Precepts	19,197	578,118
526,774			
	Cash Inflows		
(23,093)	Rent	(1,041)	
(60,831)	Council tax/community charge	(71,046)	
0	Precept income		
(77,493)	NNDR from pool	(74,172)	
(63,310)	NNDR collected	(61,876)	
(124,276)	Revenue support grant	(149,162)	
(32,700)	DSS grants for benefits	(63,907)	
(83,600)	Other government grants	(88,305)	
(76,837)	Operating cash receipts & income	(63,390)	(572,899)
(542,140)			
(15,366)	Revenue Activities Net Cashflow		5,219
	Servicing of finance		
11,670	Interest paid	6,632	
(2,079)	Interest element of finance lease rentals		
9,591	Interest received	(2,211)	4,421
	Capital activities		
	Purchase of fixed assets		
	Purchase of long term investments		
	VAT shelter scheme	46,506	
33,379	Other capital cash payments	29,783	76,289
(43,098)	Sale of fixed assets	(10,811)	
(13,935)	Major repairs allowance		
(16,026)	Capital grants	(17,563)	
(65)	VAT shelter scheme	(46,506)	
	Other capital cash receipts	(558)	(75,438)
(73,124)			
(45,520)	Net cash outflow/(inflow) before financing		10,491
	Financing		
63,353	Repayments of amounts borrowed	46,889	
	Movement in temporary loans	2,285	
(71,341)	New loans raised	(35,030)	14,144
(53,508)	Net change in cash and equivalents		24,635

Supporting notes 50 to 54 on pages 39 to 40 provide additional detail to support the council's cashflow statement. VAT was received and then paid over to WHG in relation to the VAT shelter scheme contained within the development agreement signed as part of the LSVT on 27 March 2003.

NOTES TO THE MAIN FINANCIAL STATEMENTS

1. EXCEPTIONAL ITEMS - PROPERTY REVALUATIONS

A reassessment of property values undertaken by the valuation office during 2003/4 has resulted in a refund of £1.406m in respect of rates due for the town hall and civic centre buildings. The reduction is in respect of overpaid rates for 2003/4 and previous financial years. As this relates to a number of years, this has been classified as an exceptional item, rather than distort the net cost of services by including this refund.

2. TRADING ACCOUNT SUMMARY

The individual performance of each of the trading accounts included within the Consolidated Revenue Account is as follows:

2002/03	Trading Account Summary	2003/04		
(Surplus)/ Deficit £ 000		Income £ 000	Expenditure £ 000	(Surplus) / Deficit £ 000
263	Internal support services	(4,790)	4,986	196
(141)	Markets	(969)	631	(338)
(53)	Cleaning & Caretaking services	(4,702)	4,879	177
476	Catering	(3,341)	3,874	533
(56)	Grounds maintenance	0	0	0
(419)	Highways	0	0	0
(60)	Sports and Leisure management	0	0	0
417	Vehicle maintenance / Fleet	0	0	0
427	Total	(13,802)	14,370	568

3. ASSET MANAGEMENT REVENUE ACCOUNT

This account includes the capital charges made to services under capital accounting rules and the actual external interest paid by the council. Any balance on the account is then transferred to the Consolidated Revenue Account below the net cost of services to ensure that this has a nil effect on the amounts required from local taxpayers. The table below shows the net charge to the Consolidated Revenue Account.

ASSET MANAGEMENT REVENUE ACCOUNT					
	2003/4 £'000	2002/3 £'000		2003/4 £'000	2002/3 £'000
Provision for depreciation	18,290	24,656	Capital charges to services	38,370	62,998
External interest paid	6,343	11,967	Release of govt. grant	586	585
Capital asset charges accounting adjustment	174	10,727	Discounts premature debt	246	1,248
Premiums premature debt	69	1,247			
Balance to consolidated revenue account	14,326	16,234			
	39,202	64,831		39,202	64,831

4. EXPENDITURE INCURRED UNDER S 137 – LOCAL GOVERNMENT ACT 1972

The Local Government Act 1972 allows the council to incur expenditure in areas not specifically covered by other powers. The amount of expenditure permissible for 2003/4 is £0.896 million. Financial and legal support to charitable organisations during the year amounted to £0.555 million (£0.531 million in 2002/03).

5. EXPENDITURE IN ACCORDANCE WITH S 5 (i) – LOCAL GOVERNMENT ACT 1986

£1.836 million was incurred on publicity in 2003/4 (£1.182 million in 2002/3) of which £1.090 million was on staff advertising (£0.596 million in 2002/3), reflecting a period of restructuring and recruitment.

6. MARKETS UNDERTAKING

The council operates markets at Walsall, Willenhall, Bloxwich and Darlaston, whose combined financial results were as follows:

2002/03 £'000	Markets Undertaking	2003/04 £'000
(965)	Income from stallholders	(969)
824	Less expenditure	631
(141)	(Surplus)/ Deficit taken to general fund	(338)

7. AGENCY SERVICES

The authority acts as agent for South Staffs Water, receiving payments for water rates on their behalf for which commission totalling £0.002 million was received (£0.027 million in 2002/3).

8. MINIMUM REVENUE PROVISION

In accordance with statutory requirements contained within the Local Government and Housing Act, 1989 to provide a minimum revenue provision for the redemption of debt, a net amount of £3.702 million (£4.652 million in 2002/3) was charged to the revenue account. This net amount takes into account an adjustment for the commutation of specific loan grants as shown in the table below.

2002/03 £'000		2003/04 £' 000
6,050	MRP – non housing 4%	6,472
2,412	MRP – housing 2%	0
8,462		6,472
(3,810)	LESS: commutation adjustment	(2,770)
4,652	TOTAL	3,702

9. OFFICERS EMOLUMENTS

The number of employees (including all teachers) whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 was:

2002/03	Remuneration Band - £	2003/04
37	50,000-59,999	44
12	60,000-69,999	16
4	70,000-79,999	5
2	80,000-89,999	6
0	90,000-99,999	1
1	100,000-109,999	0
1	110,000-119,999	0
0	140,000-149,999	1
1	190,000-199,999	0
58	Total	73

10. LOCAL AUTHORITY (GOODS & SERVICES) ACT 1970

Under the Local Authority (Goods and Services) Act 1970, the council has received income for services supplied to the following:

2002/03 £'000	LOCAL AUTHORITY (GOODS & SERVICES) ACT 1970	2003/04 £'000
74	Beechdale Community Housing Association	80
0	Starting Point	9
0	Black Country Connexions	7
0	Serco	20
0	Black Country Supply Service	0.5
0	Walsall Housing Group	144
13	Walsall Alliance of Tenant Management Organisations	4.5
87	TOTAL	265

11. MEMBERS ALLOWANCES

The allowances paid to elected members of the council were:

2002/03 £'000	Type of Allowance	2003/04 £'000
578	Basic allowances	582
157	Special responsibility allowance	168
735	TOTAL	750

12. PRIVATE FINANCE INITIATIVE (PFI) CONSULTANCY COSTS

The council incurs costs relating to the provision of consultancy services to assist in the PFI procurement process. These are treated as revenue expenditure within the year and details by project are shown in the table below.

2002/03 £'000	PFI PROJECT	2003/04 £'000
131	Street lighting	25
220	Integrated transport project	178
21	Willenhall schools	9
0	St. Thomas More school	0
372	Total	212

In addition to the above, the council has paid £17,126 to Birmingham City Council through a joint arrangement to progress a PFI for replacement/rationalisation of magistrate's accommodation.

13. PRIVATE FINANCE INITIATIVES

The council has been successful both in preparing bids and securing approval to progress three Private Finance Initiatives:

Integrated Transport Project

Approval for this project was received in 2000/01 and the council is currently in the PFI procurement process with a contract award date likely to be in 2004/05.

St. Thomas More

This PFI reached contractual close in 2001/02 and has seen the building of a new secondary school in Willenhall. The contractor has now built and operates the school for an anticipated period of 25 years.

The contractor made the new facility available from April 2003. The table below shows the predicted payments to the contractor over the life of the agreement.

Year	£'000
2003/04 (Year One-Actual)	1,703
Years 2 to 5 of the agreement	7,509
Years 6 to 10 of the agreement	9,806
Years 11 to 15 of the agreement	10,328
Years 16 to 20 of the agreement	10,918
Years 21 to 25 of the agreement	11,906
Total	52,170

Public Lighting

The council, together with partner Amey Highways, has completed 2 years of a 25-year Public Lighting PFI contract for the replacement/maintenance of the council's lighting stock. The contractor is predicting that the core investment period will be completed by the end of 2004. The objective to light the borough in a uniform manner to British and European standards will have been achieved. The table below details the predicted payments to the contractor over the life of the agreement.

Year	£'000
Year 1 of the agreement	1,098
Years 2 to 5 of the agreement	11,435
Years 6 to 10 of the agreement	17,349
Years 11 to 15 of the agreement	18,743
Years 16 to 20 of the agreement	20,252
Years 21 to 25 of the agreement	26,301
Total	95,178

The council is continuing to pursue PFI as a method of financing large capital projects and is exploring other projects that may be suitable for this method of financing.

14. RELATED PARTY TRANSACTIONS & AUDIT COSTS

The Accounting Code of Practice requires the disclosure of any material transactions with related parties. Examples of related parties include central Government, local authorities, other public bodies, subsidiary and associated companies, joint venture partners, pension fund and members.

Central Government - Receipts in respect of revenue support grant and national non-domestic rates are shown in the Consolidated Revenue Account on page 14. Details of other grants received are analysed as part of the cash flow statement (notes 52 & 53, page 39-40).

Local Authorities - Please refer to note 10, page 20 of the consolidated revenue account.

Other Public Bodies - Precepts are levied on the council by the West Midlands Police Authority and the West Midlands Fire & Civil Defence Authority, for which details can be found as note 5 to the collection fund (page 47). In addition to the precepts, the council

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has made other payments to the Police Authority totalling £0.348 million and received income from them totalling £0.027 million. No additional transactions have been undertaken with the Fire Authority. Other than the levy from the West Midlands Passenger Transport Executive (WMPTE), the council made no additional payments, but received income from them totalling £0.330 million.

The council received income totalling £0.090 million from the health authority in respect of a number of initiatives and has made payments to them of £0.954 million.

Subsidiary and Associated Companies - Please refer to Note 49 page 38

Joint Venture Partners - Please refer to note 17, Page 23

Pension Fund - Details of pension costs can be found within the statement of accounting policies in notes 18 and 19 pages 24 to 26.

Members - All members' pecuniary and non-pecuniary interests are open to public inspection as required by the Local Government and Housing Act 1989. The register has been examined and records of payments to and receipts from all organisations contained therein have been checked. The transactions amounted to payments of £1.643 million paid by the council and income of £0.455 million received by the council. Details of allowances paid to members are shown in note 11 on page 20.

Chief Officers - The Local Government Act 1972 details a code of conduct for the disclosure of interests by chief officers. The register has been examined. There were no transactions with the organisations listed.

Other Organisations - The council has made grants to voluntary organisations amounting to £5.299 million. Whilst individual grants are not of a material value to the council, in certain instances this would represent a significant element of funding to the voluntary organisation without which it would be unable to carry out its activities. In addition the council has significant transactions with two organisations whose contributions were established by committee. These are Children & Co. where transactions amounted to payments of £0.008 million and receipts of £0.114 million and Steps to Work where transactions amounted to £1.667 million payments and receipts of £1.591 million.

Audit Costs – In 2003/04 Walsall MBC incurred fees for external audit and inspection of £0.505 million (£0.369 million in 2002/03), of which £0.138 million related to grant claims (£0.126 million in 2002/03) and £0.367 million related to core and other work (£0.244 million in 2002/03).

15. PREPARING FOR THE EURO

The Euro will not become legal tender in the United Kingdom unless the UK joins the single currency. This decision will be subject to a referendum which will not take place until the five economic tests that the Government has set are met. However, the council has established a working group that has identified the potential impact of the Euro and will ensure that the necessary preparations are undertaken. The group has looked at the implications for the council's financial systems and at all aspects of services which may be affected. When a clearer timetable for implementation is available a project plan will be drawn up. At this stage no specific budgetary provision has been made to cover any potential changes that may be required.

16. BUILDING REGULATIONS CHARGING ACCOUNT

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the building control unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

2002/03	Building Regulations Charging Account	2003/04		
Total £'000		Chargeable £'000	Non-Chargeable £'000	Total £'000
	Expenditure			
367	Employee expenses	318	90	408
21	Transport	17	5	22
108	Supplies & services	69	66	135
213	Central & support service charges	150	78	229
709	TOTAL EXPENDITURE	555	239	794
	Income			
(450)	Building regulation charges	(538)	0	(538)
(88)	Miscellaneous income	(102)	(7)	(109)
(538)	TOTAL INCOME	(640)	(7)	(647)
171	(Surplus)/ Deficit for Year	(85)	232	147

This account must break even over each three-year period. The net position over the three years 2001/02 to 2003/04 was a small surplus of £0.088 million, to be invested in the service in the form of additional manpower.

17. POOLED BUDGETS

Section 31 of the Health Act 1999 allows partnership arrangements between NHS bodies and local authorities in order to improve and co-ordinate services.

The council, in association with Walsall Teaching Primary Care Trust, has established an integrated health and social care service for adults with learning disabilities with a pooled fund arrangement. Each partner makes a contribution to a pooled budget with the aim of focusing services and activities for service users. The details of which are as follows:

2002/03 £'000	Pooled Fund Memorandum Account	£'000	2003/04 £'000	£'000
Total	Gross Funding:	Cash	Grant	Total
9,148	Walsall Teaching Primary Care Trust	9,782	99	9,881
8,024	Walsall MBC	8,353	797	9,150
17,172		18,135	896	19,031
	Expenditure:			
17,073	Health & social care to people with learning disabilities	0	0	0
93	Direct administration of pooled budget	0	0	0
	Integrated Team	923	137	1,060
	Community Support	3,739	72	3,811
	Day Care	1,854	40	1,894
	Residential & Nursing	8,168	647	8,815
	Supported Employment	692	0	692
	Psychiatric & Medical	1,780	0	1,780
	Management & Administration	780	0	780
17,166		17,936	896	18,832
5	Net Under (Over) spend	199	0	199

18. PENSION COSTS

Teachers employed by the council are members of the Teachers' Pension Scheme, administered by the Teachers' Pension Agency (TPA). It provides teachers with defined benefits upon their retirement, and the council contributes towards the costs by making contributions based on a percentage of member's pensionable salaries.

In 2003/04 the council paid £10.55 million (£6.397 million in 2002/03) to the Pensions Agency in respect of teachers' pensions costs which represents 13.5% (8.35% in 2002/3) of teachers' pensionable pay. This includes those contributions in respect of the foundation schools (formerly grant maintained).

With regard to the Teachers' Pensions Scheme, there were no contributions remaining payable at the year end.

The scheme is a defined benefit scheme. Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities (LEAs). However it is not possible for the council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' Scheme. These benefits are fully accrued in the pensions liability described in note 19.

19. FRS17 – RETIREMENT BENEFITS

As part of the terms and conditions of employment of its officers and other employees Walsall MBC offers retirement benefits. Although these benefits will not be payable until employees retire, the council has a commitment to make payments that need to be disclosed at the time that employees earn their entitlement.

Walsall MBC participates in the West Midlands Authorities Pension Fund that is administered by Wolverhampton MBC – this is a funded defined benefit scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

In addition to this scheme Walsall MBC is also responsible for all pension payments relating to added years awarded and the mandatory costs it has incurred for allowing premature retirement, together with related increases, in relation to teachers pensions. This is an unfunded scheme meaning that there are no investment assets built up to meet the pensions liability, and cash has to be generated to meet actual pension payments as they fall due.

The council recognise the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Account after Net Operating Expenditure.

The following transactions have been charged to the CRA during the year:

West Midlands Authorities Pension Fund		Pension Revenue Summary	Unfunded Teachers Pension Costs	
2003/04 £'000	2002/03 £'000		2003/04 £'000	2002/03 £'000
(10,579)	(12,277)	Net Cost of Services		
(335)	(619)	Current Service Costs	0	0
(699)	0	Past Service Costs	(79)	n/a
(1,600)	0	Curtailment Costs	0	0
		Settlement Gain	0	0
		Net Operating Expenditure		
(25,554)	(26,386)	Interest Cost	(776)	n/a
17,771	30,297	Expected return on assets in the scheme	0	0
		Amounts to be met from Government Grants and Local Taxation		
20,996	8,985	Movement on pensions reserve	855	n/a
		Actual amount charged against council tax for pensions in the year		
(12,226)	(13,774)	Employers' contributions payable to scheme	0	0
0	0	Retirement benefits payable to pensioners	1,089	n/a

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2004 are as follows:

	West Midlands Authorities Pension Fund As at 31 March 2004		Unfunded Teachers Pension Costs As at 31 March 2004		Total As at 31 March 2004	
	2003/4 £'000	2002/3 £'000	2003/4 £'000	2002/3 £'000	2003/4 £'000	2002/3 £'000
Estimated liabilities in scheme	(450,768)	(466,235)	(13,248)	(13,482)	(464,016)	(479,717)
Estimated assets in scheme	310,085	298,120	0	0	310,085	298,120
Net asset/(liability)	(140,683)	(168,115)	(13,248)	(13,482)	(153,931)	(181,597)

The liabilities show the underlying commitments that the council has in the long term to pay retirement benefits.

The deficit on the West Midlands Authorities Pension Fund will be made good by increasing contributions over the remaining working life of employees, as assessed by the scheme actuary.

Finance is only required to be raised to cover the unfunded teachers pensions when the pensions are actually paid.

Liabilities for both the West Midlands Authorities Pension Fund and the unfunded teachers pensions costs have been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries, estimates for the West Midlands Authorities Pension Fund being based on the latest full valuation of the scheme as at 31 March 2001.

The following actuarial assumptions have been made:

	West Midlands Authorities Pension Fund		Unfunded Teachers Pensions	
	2003/04	2002/03	2003/04	2002/03
Financial assumptions				
Rate of inflation	2.80%	2.50%	2.80%	2.50%
Rate of increase in salaries	4.30%	4.00%	4.30%	4.00%
Rate of increase in pensions	2.80%	2.50%	2.80%	2.50%
Discount rate	6.30%	6.00%	6.30%	6.00%
Expected rate of return on assets				
- Equities	7.50%	7.50%	0%	0%
- Government bonds	4.70%	4.50%	0%	0%
- Other bonds	5.50%	5.40%	0%	0%
- Property	6.50%	6.50%	0%	0%
- Other	4.00%	3.75%	0%	0%
Split between investment categories				
- Equities	76.50%	75.20%	0%	0%
- Government bonds	9.70%	9.90%	0%	0%
- Other bonds	4.10%	4.20%	0%	0%
- Property	7.30%	8.20%	0%	0%
- Other	2.40%	2.50%	0%	0%

The unfunded teachers pensions have no assets to cover their liabilities. Assets in the West Midlands Authorities Pension Fund are valued at fair value, principally market value for investments.

20. FIXED ASSETS

Movements in fixed assets during the year were as follows:

Fixed Assets	Infra- structure	Other Land and Bldgs	Vehicles, Plant and Eqpt	Commun- ity Assets	Non- operational Assets	Other Capital Outlay	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Gross book value as at 31 March 2003	88,714	465,481	1,220	0	11,342	779	567,536
Depreciation as at 31 March 2003	(3,997)	(11,852)	(314)	0	(124)	0	(16,287)
Net book value as at 31 March 2003	84,717	453,629	906	0	11,218	779	551,249
Revaluations & restatements		266,703		90	(2,328)	(779)	263,686
Expenditure for capital purposes	5,995	14,284	1,621	71	4,985	8,802	35,758
Non-added value	(5,995)	(11,707)	(1,321)	(71)	(473)	(8,802)	(28,369)
Additions							0
Disposals		(16,090)			(1,225)		(17,315)
Deferred charges & other adjustments							0
Gross book value as at 31 March 2004	84,717	706,819	1,206	90	12,177	0	805,009
Depreciation for year	(3,995)	(13,812)	(361)		(122)		(18,290)
Net book value as at 31 March 2004	80,722	693,007	845	90	12,055	0	786,719

The service breakdown of capital expenditure and the financing capital expenditure is detailed in note 43.

21. DEFERRED CHARGES

Deferred charges are created when expenditure has been incurred on items that are not capitalised as fixed assets, but have been financed from capital resources. Deferred charges are written down to the revenue account over an appropriate period usually in the same year in which expenditure has been incurred.

2002/03 £'000	Deferred Charges	2003/04 £'000
8,469	Balance brought forward	6,002
0	Premature debt redemption:	
151	Transfer of premium	0
(2,573)	Premiums paid	0
(44)	Discharged to revenue - premiums	(991)
3,571	Discharged to revenue - brokerage	(6)
(3,571)	Deferred charges	5,543
	Deferred charges write-off	(5,543)
6,002	TOTAL	5,005

22. LONG TERM INVESTMENTS

2002/03 £'000	Long Term Investments	2003/04 £'000
	The investments consist of:	
	Long Term:	
5,174	Birmingham Airport Holdings Ltd. - Ordinary share	5,174
1,531	- Preference shares	1,531
1,841	- Loan stock	1,841
8,546	TOTAL	8,546

23. LONG TERM DEBTORS

This note identifies amounts owing to the council which are being repaid over various periods longer than one year. Long term debt which has become due in less than twelve months has been classified as short term debt. The councils' main long term debtors comprise:

2002/03 £'000	Long Term Debtors	2003/04 £'000
541	Other local authorities	543
2,033	Probation	1,951
392	Wolverhampton university Walsall campus	426
9,106	Waste disposal co-ordination	9,459
1,273	Mortgages	945
181	Other long term loans - employee car loans	94
13,526	TOTAL	13,419

24. STOCKS AND WORK-IN-PROGRESS

2002/03 £'000	Stocks and Work in Progress	2003/04 £'000
0	Work-in-Progress:	0
	Stocks:	
394	- PSE	452
411	- Other	469
11	- Foundation schools	11
817	TOTAL	932

25. DEBTORS

2002/03 £'000	Debtors	2003/04 £'000
57,189	Government departments	14,797
1,250	Other local authorities	958
5,727	Council tax	5,688
2,062	National non-domestic rates	2,409
11	Community charge/poll tax	5
0	General rates	0
568	Housing rents	541
21,183	Other	20,551
87,991		44,949
(6,810)	Provision for bad debts	(7,345)
81,181	TOTAL	37,604

Bad and doubtful debts are covered by a sum of £7.345 million. Of this £0.542 million relates to housing rents (Section A note 14 on page 44), £3.426 million relates to council tax, £0.005 million relates to community charge/poll tax and £0.432 million relates to national non-domestic rates. A balance of £2.940 million is to cover other areas of risk in respect of debt recovery.

26. SHORT TERM INVESTMENTS

2002/03 £'000	Short tem Investments	2003/04 £'000
75,419	Other financial institutions and public bodies	57,967
75,419	TOTAL	57,967

Short term investments were particularly high at 31 March 2003 due to income from housing capital receipts not being used to repay long term loans until 03 April 2004.

27. CASH IN HAND AND OVERDRAWN

2002/03 £'000	Cash in hand and Overdrawn	2003/04 £'000
2,805	Cash In hand	2,772
(2,041)	Cash Overdrawn	(9,191)

See Cash flow statement and notes 50-54 on pages 39 to 40 for further details.

28. BORROWING REPAYABLE WITHIN 12 MONTHS

2002/03 £'000	Borrowing within 12 Months	2003/04 £'000
347	Balance of Loans from financial institutions and public bodies brought forward	300
+17,926	Raised in the year	23,986
-(17,973)	Repaid in the year	(23,961)
300	TOTAL	325

29. CREDITORS

2002/03 £'000	Creditors	2003/04 £'000
13,085	Government departments	11,505
1,092	Other local authorities	81
1,829	Council tax	1,554
1,066	National non-domestic rates	1,641
3	Community charge/poll tax	3
81,141	Other	26,012
98,216	TOTAL	40,796

30. LONG TERM BORROWING

2002/03 £'000	Long Term Borrowing	Average interest rate payable (%)	2003/04 £'000
66,309	PWLB: Fixed interest	5.03	81,308
46,079	Variable interest	3.95	26,079
26,717	Post LSVT redemptions		
776	Individuals	4.05	640
30,000	Other financial institutions	3.43	50,000
105,974	LSVT - Debt to be written off by ODPM		
31,027	Other local authorities	8.28	30,482
306,882	TOTAL		188,509
£'000	An analysis of loans by maturity:		£'000
132,691	• Loans redeemed 03.04.03		
277	• Maturing within 1 year		22,563
20,054	• 1 - 2 years		2,656
10,320	• 2 - 5 years		30,346
46,203	• 5 - 10 years		26,153
97,337	• more than 10 years		106,791
306,882	TOTAL		188,509

31. PROVISIONS

2002/03 £'000	Provisions	2003/04 £'000
140	Government grant	142
2,450	Insurance fund	2,699
3,446	Other	3,865
6,035	TOTAL	6,706

The council has an established insurance fund to cover excesses on claims and certain small risks. The council still has a number of outstanding claims with Municipal Mutual Insurance (MMI) and a national scheme of arrangement remains in place to try and ensure an orderly settlement of the sums due. In addition the council has outstanding claims with Independent Insurance Co. Ltd. who have now gone into liquidation. Arrangements are being made to finalise the company's position and at this stage the extent of any liability on the council is unknown. Outstanding claims amount to £5.552 million. However, based on claims settlement profiles, projected settlements are estimated at £2.621 million. A provision of £2.699 million is held to cover this. In addition there are miscellaneous provisions totalling £3.865 million (£3.446 million 2002/3) and £0.142 million in respect of government grants (£0.140 million 2002/3).

32. RESERVES: GENERAL RESERVE

General reserves are available for the council to use at its discretion, but are generally used to reduce the overall spending level of the council prior to the setting of the council tax level, but only for one-off expenditure, earmarked for specific purposes or held as the council's working balance.

2002/03 £'000	General Reserve	2003/04 £'000
4,711	Balance brought forward	3,363
(1,546)	Transfer to general fund (see consolidated revenue account page 14)	2,805
3,165		6,168
198	Other transfers - balances not required	0
3,363	TOTAL	6,168

33. HOUSING REVENUE ACCOUNT RESERVE

See additional statements section A for further details.

34. COLLECTION FUND RESERVE

See additional statements section B for further details.

35. OTHER EARMARKED RESERVES

2002/03 £'000	Other Earmarked Reserves	2003/04 £'000
4,152	Primary schools (net)	4,034
149	Secondary schools (net)	752
236	Special schools (net)	302
1,580	Foundation schools	1,642
242	College of continuing education	497
146	Community associations	256
8,083	Other WMBC earmarked reserves	14,345
14,588	TOTAL	21,828

The sums in respect of schools and the college of continuing education relate to unspent delegated budgets which remain at the disposal of the individual schools/college. In addition schools operate separate current accounts with the council's bankers and as at 31 March 2004 the balances held amounted to £0.956 million (£1.006 million in 2002/03).

The funding of community associations has operated under a voluntary scheme of delegation by the council since 1992/93 and the amount above is the unspent element of delegated budgets. In addition a sum has been received from the former DETR to meet future pensions payments to be made to former employees of the rent officer service.

A number of other prudent reserves have been set aside to cover a projected reduction in right to buy receipts; for single status agreement costs; special projects including path to excellence, improving the working environment, community engagement and summer reloaded and a pilot carry-forward scheme in respect of specific service over and underspends. These will be utilised in future years on targeted objectives aimed at improving service delivery.

36. USABLE CAPITAL RECEIPTS RESERVES

Capital Receipts		Useable Capital Receipts Reserves	Capital Grants	
2003/04 £'000	2002/03 £'000		2003/04 £'000	2002/03 £'000
17,778	2,075	Balance brought forward	3,370	1,041
0	0	Other external funding	283	203
10,811	43,098	Received during the year	17,280	16,026
(6,731)	(12,042)	Applied against schemes	(14,558)	(14,193)
0	0	Clawback not required	0	350
0	0	Reclassification of grants	0	(57)
(5,130)	(15,352)	Set Aside: capital receipts used	0	0
16,728	17,778	TOTAL	6,375	3,370

37. RESERVES: DEFERRED PREMIUMS AND CREDITS

2002/03 £'000	Deferred Premiums And Credits	2003/04 £'000
10,188	Balance brought forward	8,504
480	Discount received	0
0	Transfer to deferred charges - premiums	0
0	Brokerage paid	0
(2,163)	Discharged to revenue - discounts	(1,178)
4,073	Deferred Capital Receipts	3,826
12,577	TOTAL	11,152

38. CAPITAL FINANCING RESERVE & DEFERRED GOVERNMENT GRANTS AND CONTRIBUTIONS

The capital financing reserve contains the amounts required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The balance on the reserve is reduced as loan debt is repaid.

2002/03		Financing Reserve & Deferred Government Grants And Contributions	2003/04	
Capital Financing Reserve £'000	Deferred Government Grants and Contributions £'000		Capital Financing Reserve £'000	Grants and Deferred Government Contributions £'000
176,475	21,755	Balance Brought Forward 1 April 2003	206,015	22,441
15,352	-	Capital receipts set aside in 2003/4	388	-
		<u>Revenue resources set aside in 2003/04</u>		
1,756	-	Capital Receipts financing capital expenditure	6,731	-
9,605	-	LSVT Set Up Costs	-	-
681	-	HRA Capital Receipts	-	-
13,935	-	MRA	-	-
342	-	Private sector contributions	462	-
247	-	Direct Revenue Funding of Capital	84	-
	-	Grants applied directly to capital investment in 2003/04	15,362	-
12,255	-	Provision for repayment of external loans	106,357	-
2,916	-	Appropriations	(13,035)	-
(24,692)	-	Deferred Capital Receipt	-	-
625	-	Write Off of deferred charges	(5,464)	-
(3,482)	-			
14,188	-	<u>Movement on Government Grants Deferred</u>	110,497	-
-	13,866	Grants received in year	-	14,503
-	(12,595)	Grants applied to capital investment in 2003/04	-	(15,824)
-	(585)	Amounts credited to AMRA in 2003/04	-	(586)
-	686		-	(1,907)
29,540	686	Total Movement on Reserve 2003/04	110,885	(1,907)
206,015	22,441	Balance carried forward 31st March 2004	316,900	20,534

39. FIXED ASSET RESTATEMENT RESERVE

The system of capital accounting introduced in 1994/95 requires the establishment of the fixed asset restatement reserve. This balance represents the difference between the valuation of assets under the previous system of capital accounting and any subsequent revaluations, adjustments and disposals. The reserve will be written down each year by the net book value of assets as they are disposed of and adjusted with the deficits or surpluses arising on future revaluations. The large reduction in 2002/03 was due to the sale of council houses following LSVT.

2002/03 £'000	Fixed Asset Restatement Reserve	2003/04 £'000
256,658	Balance b/fwd	42,365
62,264	Revaluation & restatement of fixed assets	240,795
(276,557)	Disposal of fixed assets	(17,315)
(214,293)	Total movement in year	223,480
42,365	TOTAL	265,845

40. PENSION RESERVE

2002/03 £'000	Pension Reserve Movements	2003/04 £'000
61,882	Balance b/f	181,597
(13,774)	Payment to Pension Fund	(13,315)
8,985	Appropriation to Pension Reserve	21,851
124,504	Actuarial Loss/(Gain)	(36,202)
181,597	Balance c/f	153,931

The actuarial gains identified as movements on the Pensions Reserve in 2003/04 can be analysed into the following categories measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2004:

	West Midlands Authorities Pension Fund		Unfunded Teachers Pensions	
	£'000's	%	£'000's	%
Asset Gain/(Loss)	36,202	11.7	0	0
Liability Gain/(Loss)	0	0	0	0
Change in Assumptions	0	0	0	0
Net Gain/(Loss)	36,202		0	0
Comparative Totals for 2002/03	(124,504)		0	

41. STATEMENT OF NET ASSETS EMPLOYED

2002/03 £'000	Statement of Net Assets Employed	2003/04 £'000
475,553	General fund	741,647
46,629	Housing revenue account	3,849
110,771	Foundation schools	110,450
632,953	TOTAL	855,946

Housing revenue assets have reduced dramatically due to LSVT.

42. ANALYSIS OF FIXED ASSETS

Walsall Metropolitan Borough Council owned the following assets as at 31 March 2004.

	31 March 2004		31 March 2004
Infrastructure		Other Land And Buildings: - Continued	
Hectares of derelict land	12.74	Waste disposal - transfer station	1
Hectares of public open space	1365.06	- disposal sites	2
Kilometres of road	847.9	Other administrative buildings	23
Off-street car parks	49	Depots	8
Parking spaces	3671	Training centres	2
Allotments	36	Cemetery lodges	6
		Social services offices	8
		Elderly day care centres	3
Other Land and Buildings:		Adult training centres	4
Nursery schools	17	Family centres	3
Primary schools	98	Physically disabled day care centres	1
Secondary schools	19	Tenanted farms	10
Special schools	7	Public conveniences	15
School houses	74		
Neighbourhood offices	23	Vehicles Plant and Equipment:	
		The council owns or leases vehicles, including:	
Sports centre	3	Vans	164
Youth clubs	14	Cesspit emptiers	4
Community centres	27	Tipper trucker and services	46
Town halls	2	Minibuses and crewbuses	32
Civic centre	1	Landrovers	6
Parks' lodges	11	Saloons/estate cars	6
Residential centres for children	5	Sweepers	10
Residential centres for the elderly	9	Welfare vehicles	36
Residential centres for rehabilitation	1	Gritters	5
Community meeting halls	1	JCBs	4
Swimming pools	5	Refuse collection vehicles	32
Crematorium	1	Trailers	9
Function halls	3	Mobile libraries	4
Theatres	2	Mayoral car	2
Libraries	20	Double-decker playbus	1
Museums/art galleries (including leather centre)	5	Tractors	3
Court buildings *	2	Mobile laboratory	1
Challenge building	1		
Homes for people with mental or physical disabilities	6	Community Assets	
Community rooms	3	Cemeteries	8

*Under SI 1176/ 1998, all local magistrates courts amalgamated into the West Midlands Magistrates Courts Committee administered by Birmingham City Council. However, ownership of court buildings remains with individual local authorities. A West Midlands wide PFI is being proposed to rationalise and improve court accommodation.

43. SUMMARY OF CAPITAL EXPENDITURE AND SOURCES OF FINANCE

2002/03 £'000	Classification by Service	2003/04 £'000
10,133	Education, Lifelong Learning and Community	15,059
10,406	Regeneration, Housing and Built Environment	8,341
29,051	Social Care and Supported Housing	4,426
6,880	Corporate Services	7,995
56,469	TOTAL	35,821
2002/03 £'000	Classification by Type	2003/04 £'000
0	- Council dwellings	
0	- Infrastructure	
1,557	- Other land and buildings	2,576
209	- Vehicles, plant and equipment	301
0	- Community assets (cemeteries only)	0
1,766	Operational Assets	2,877
1,631	Assets under construction	4,512
0	Other capital outlay	0
49,501	Expenditure on enhancing the life or functional value without affecting their market value	22,889
1,969	- Improvement grants	3,309
1,366	- Education	154
70	- Resources	2,001
166	- Magistrates	79
3,571	Deferred Charges	5,543
56,469	TOTAL	35,821
2002/03 £'000	How Capital Expenditure is Financed	2003/04 £'000
13,264	Credit approvals used for borrowing	16,980
334	European grants	336
13,311	Government grants	13,760
26,909	Usable capital receipts	31,076
12,042	Major repairs allowance	6,731
13,935	Direct revenue funding : Housing	0
0	:Other	0
247	Contractual bonds and other private sector contributions	84
341	Adjustment of funding relating to prior year grant expenditure	462
0	Capital expenditure awaiting reimbursement b/fwd:	0
(1,892)	Housing	(1,568)
1,568	Other	1,501
53,149		38,286
0	Less: grant used to repay debt	0
53,149		38,286
3,967	Accrued expenditure to be funded by future borrowing	1,501
57,116	Total (2003/04 including the financing of £3.967m unfinanced in previous yrs)	39,787

44. PROVISION FOR CREDIT LIABILITIES

The provision for credit liabilities retained on the balance sheet entirely relates to the proportion of capital receipts which, under the Local Government and Housing Act 1989, may only be used to repay debt in place of borrowing. This is analysed in the table below.

2002/03 £'000	Provision For Credit Liabilities	2003/04 £'000
(15,351)	Reserved part of capital receipts (set aside compulsorily or voluntarily)	(388)
(4,652)	MRP and voluntary set aside from revenue	(3,702)
0	Credit cover for credit arrangements made from revenue or usable capital receipts	0
20,003	Payments made under the arrangements which qualify under Section 64 to be financed from PCL	4,090
0	Provision to meet credit liabilities	0

45. CONTINGENT LIABILITIES

The council is taking action to resolve a number of areas of uncertainty surrounding some government grant claims which in the worst case scenario could result in the council having to repay grant funding.

In the 1980's, the council served notice of legal action on certain tenants to remove them from their home. A High Court ruling went in favour of the council in 1993 but the former tenants have now been granted a hearing at the European Court of Human Rights. The council continues to contest the case.

There is one ongoing racial discrimination claim against the council. This is being contested.

As detailed in the accounting policies in respect of pension costs, employers pension contributions are subject to triennial revaluation. Fluctuations in future valuations are not quantifiable and therefore no provision for any increase has been made.

In 2002 the council acquired land at Town Wharf for redevelopment. This was funded by grant from Government Office West Midlands with any surplus being recycled to acquire further land. Due to the length of time taken to acquire the next piece of land the grant may be subject to clawback. This money has not been repaid and is being held until a conclusion to the ongoing discussion is reached.

46. POST BALANCE SHEET EVENTS

The full implementation of FRS17 has required the restatement of the balance sheet as at 31 March 2003.

47. CAPITAL COMMITMENTS

The council has ongoing commitments on the capital schemes listed below.

Capital Commitments	2003/04 £'000	2002/03 £'000
<u>Education, Lifelong Learning and Community</u>		
Holy Trinity CE School Extension	0	7
St James Primary School Rationalisation	2	2
Elm Street Inf - Dining Facilities	12	12
Milfields Nursery	0	91
Reduction in Class Sizes	15	15
Basic Need - New	120	0
Schools Access Initiative	306	0
Joseph Leckie	209	0
Shop Maintenance	9	0
Butts JMI	0	25
Parks and Open Spaces	29	29
Ullswater Road	3	3
Sports Facilities	34	46
Willenhall Memorial Park	123	180
Bentley Peoples Partnership	132	0
SRB5 Parks Project	0	30
Halon Gas	0	15
	994	455
<u>Regeneration, Housing and Built Environment</u>		
Environmental Improvements	127	104
General Highways	809	580
	936	684
<u>Corporate Services</u>		
Environmental Sustainability	135	168
Neighbourhood Resource Centres	9	15
Willenhall Healthy Living Centre	0	112
Delves Clinic	0	35
Town Wharf	96	97
Walsall Conservation Partnership Area	0	50
Brownhills Resource Centre	500	0
Asset Management Plan	50	0
Replacement of Benefits System	281	0
	1,071	477
<u>Social Care and Supported Housing</u>		
Aids and Adaptations	27	45
Disabled Facility Grants	48	30
Replacement of Client Index System	362	0
Replacement of Stroud Avenue	500	0
Relocation of Training Facility	50	0
Renovation Grants	0	106
Square New Invention	0	637
Travellers Site	285	0
	1,272	818
Total Capital Commitments	4,273	2,434

48. LEASES.

Amounts paid during the year were as follows:

Operating leases - £2.312 million (£2.562 million in 2002/3)
 Finance leases – nil (nil in 2002/3)
 Open hire scheme - £0.564 million (£0.705 million in 2002/3)

As at 31 March 2004, the council has a commitment on the Revenue Account to meet charges on leased items as detailed below:

LEASED ITEMS CHARGES						
OPERATING £'000	2002/3		YEAR	OPERATING £'000	2003/4	
	OHS £'000	TOTAL £'000			OHS £'000	TOTAL £'000
1,124	796	1,920	2004/5	1,348	796	2,144
462	796	1,258	2005/6	645	796	1,441
295	0	295	2006/7	429	0	429
91	0	91	2007/8	208	0	208
55	0	55	2008/9	55	0	55

49. ASSOCIATED COMPANY INTERESTS AND HOLDINGS

B.A.H. was incorporated on 4 February 1997, and commenced trading on 26 March 1997. The B.A.H. group accounts incorporated Birmingham International Airport Ltd, Euro-Hub (Birmingham) Ltd, Birmingham Airport Developments Ltd, and First Castle Developments Ltd. The principal activity of the group is the operation and management of Birmingham International Airport and the provision of facilities and services associated to those operations.

The main ordinary shareholders of B.A.H. are the seven West Midlands District Councils who together own 49% of B.A.H.'s 320 million ordinary shares of £0.01 each. Walsall Council owns 4.8%, and a nominee of Aer Rianta International (The Irish Airports operator) and Bridgepoint Capital owns 48.2%. The shareholders agreement provides for the districts to cast their 49% vote at company main board and general meetings in one block. The vote of 75% ordinary shareholders is required for certain major decisions of the company.

The districts together own all £15.4m of B.A.H.'s 6.31% preference shares (Walsall Council owns £1.53m) which are cumulative and irredeemable.

The districts also own all the £18.5m subordinated loan stock (Walsall Council owns £1.84m on which interest is payable at 8.72% fixed until March 2007 when the loan is either repaid or may be extended at the owner's (i.e. the districts collectively) option until March 2012 at a variable interest rate. The table below provides key details from their latest accounts, a copy of which is obtainable upon request.

2002/03 £'000	Birmingham Airport	2003/04 £'000
97,625	Turnover	101,245
193,287	Net assets	198,560
22,455	Profit before taxation	23,998
15,084	Profit after taxation	15,750

Other

The council also has interests in West Midlands Enterprise Board Group and the Enterprise Agency. The council received no dividends and its share of the undistributed profits and unfunded losses is not significant.

50. RECONCILIATION OF CONSOLIDATED REVENUE ACCOUNTS

2002/03 £'000	RECONCILIATION OF CONSOLIDATED REVENUE ACCOUNTS	2003/04 £'000
(3,363)	Net deficit/(surplus)	(2,805)
	Add back:	
(9,591)	Servicing of finance	(4,422)
(5,931)	Revenue cash activities on balance sheet	(2,125)
	Non-cash transactions:	
(1,347)	contributions to/(from) provisions	(671)
(4,983)	contributions to/(from) reserves	(8,633)
23,091	contributions to/(from) capital	6,038
3,869	contributions to/(from) other accounts	3,878
	Items on an Accruals Basis	
(740)	Increase/(decrease) in stock and work in progress	116
49,362	Increase/(decrease) in debtors	(43,577)
(65,733)	(Increase)/decrease in creditors	57,420
(15,366)	Revenue activities net cash flow	5,219

51. MOVEMENT IN CASH AND CASH EQUIVALENTS

The council defines as its liquid resources the current bank account balance, cash held in imprest accounts for items such as petty cash reimbursements and investments for a period of up to 364 days.

Movement in Cash and Cash Equivalents	As at 31/03/03 £ 000	Movement	As at 31/03/04 £ 000
Cash Overdrawn	(2,041)	(7,150)	(9,191)
Cash in hand	2,805	(33)	2,772
Short-Term Investments	75,419	(17,452)	57,967
Net Cash Outflow	76,183	(24,635)	51,548

52. ANALYSIS OF REVENUE - OTHER GOVERNMENT GRANTS AND REIMBURSEMENTS

2002/03 £'000	ANALYSIS OF REVENUE - OTHER GOVERNMENT GRANTS AND REIMBURSEMENTS	2003/04 £'000
20,891	H M Customs and Excise	18,827
12,781	Standards Fund	13,791
11,805	Learning Skills Council	13,601
-	Supporting People	7,691
5,341	Neighbourhood Renewal	6,810
6,182	Social Services Adults Grants	6,504
	DFES schools grant	4,841
978	Social Services Quality Protects	3,176
1,677	Other Social Services Children's Grants	2,672
4,269	Single Regeneration Budget	2,147
81	Co Financing Initiative	980
18,221	Housing subsidy	0
1,374	Other	7,265
83,600	Total	88,305

53. ANALYSIS OF CAPITAL GRANTS

2002/03 £'000	ANALYSIS OF CAPITAL GRANTS	2003/04 £'000
5,913	Schools Standard	9,471
1,918	Street Lighting PFI	1,950
90	Derelict Land / Limestone	1,231
264	ERDF	674
293	Housing Specific	530
1,893	SRB	445
0	St Thomas More PFI	369
2,276	New Deal for Communities	308
200	Electronic Government	295
1,233	Advantage West Midlands	254
120	Probation / Magistrates	70
1,826	Other	1,966
16,026	Total	17,563

54. ANALYSIS OF CHANGES IN NET DEBT

Movement in Cash and Cash Equivalents	As at 31/03/03 £'000	Movement	As at 31/03/04 £'000
Cash or Cash Equivalents	(76,183)	24,635	(51,548)
Long Term Investments	(8,546)	0	(8,546)
Long Term Debts	306,882	(118,373)	188,509
Total	222,153	(93,738)	128,415

ADDITIONAL FINANCIAL STATEMENTS

A. HOUSING REVENUE ACCOUNT

2002/03		INCOME	2003/04	
£'000	£'000		£'000	£'000
	55,032	Dwelling Rents		0
	1,085	Non-dwelling rents:		0
	129	Charges towards services & facilities		0
	45	Housing benefit - transfers from general fund		0
	30,095	HRA subsidy receivable (incl. MRA)		(317)
	2,213	Reduced provision for bad or doubtful debts		26
	88,599	TOTAL INCOME		(291)
		EXPENDITURE		
12,812		Repairs and maintenance	182	
10,911		General management	535	
3,660	27,383	Special services	4	721
	534	Rents, rates, taxes and other charges		29
	33,996	Rent rebates		0
	3,264	Increased provision for bad or doubtful debts		0
	15,640	Cost of capital charge		0
	8,369	Depreciation & impairments of fixed assets		0
	0	Amortisation of deferred charges		0
	198	Debt management costs		3
	89,384	TOTAL EXPENDITURE		753
	(785)	SUB TOTAL - NET COST OF SERVICES		(1,044)
	10,727	Net HRA income/(expenditure) on Asset management revenue account		174
(1,326)		Amortised premiums and discounts:		
915	(411)	Premiums	(927)	
		Discounts	932	5
	146	HRA investment income / mortgage interest		61
	9,678	SUB TOTAL - NET OPERATING EXPENDITURE		(804)
	0	Revenue contribution to capital expenditure		0
	(2,412)	HRA contribution to minimum revenue provn.		0
	(4,865)	Transfer from/(to) major repairs reserve		0
	2,400	Surplus/(Deficit) for the year		(804)
	530	Surplus/(Deficit) at start of year - b/fwd		2,930
	2,930	Surplus/(Deficit) at end of year - c/fwd		2,126

1. GENERAL

The housing revenue account (HRA) covers income and expenditure relating to council houses and flats. There are statutory requirements to keep the HRA separate from the accounts for other housing activities, and to budget to keep the HRA in balance. Although the council does not have any housing stock following LSVT on 27 March 2003, the council must still keep a HRA until it receives Secretary of State approval to close it. This was received on 31 March 2004. Therefore the council will close the HRA as at 1 April 2004.

2. NUMBER AND TYPE OF COUNCIL-OWNED DWELLINGS IN HRA

Following LSVT, the stock at 31 March 2004 is zero.

3. BALANCE SHEET VALUE OF HRA ASSETS

HRA assets are also zero.

4. DEFERRED CHARGES

Deferred charges are a reflection of capital expenditure that does not result in an asset. There are no deferred charges in 2003/04.

5. IMPAIRMENT CHARGES

As the HRA has no fixed assets following the LSVT of housing stock on 27 March 2003, there are no impairment charges.

6. REPAIRS

Repairs expenditure appearing in the HRA is expenditure of a routine nature. Planned maintenance, which enhances the value or the life of a property, is treated as capital regardless of whether the council decides to finance the expenditure from capital resources or rents.

7. MAJOR REPAIRS RESERVE AND DEPRECIATION

The major repairs reserve is a statutory reserve established by the system of resource accounting in the HRA introduced in 2001/02. The balance represents the difference between the major repairs allowance from government and capital expenditure incurred by the council on council dwellings. No major repairs allowance was given to the authority in 2003/04 as the authority has no housing stock. £13.607m was received in 2002/03. Under resource accounting depreciation charged to the HRA is offset against the major repairs allowance to ensure that there is no impact on council rent payers.

8. CAPITAL EXPENDITURE IN THE HRA

This relates to expenditure of a capital nature but excludes expenditure financed through operating leases. For 2003/04 this amounted to £2.036 million (£27.709 million 2002/03). £1.974 million of this spend represents LSVT set up costs that have been capitalised.

9. FINANCING OF HRA CAPITAL EXPENDITURE

2002/03 £'000	Financing of HRA Capital Expenditure	2003/04 £'000
0	Basic credit approvals	0
9,605	LSVT receipt	5,580
681	Capital receipts	88
13,935	Major repairs reserve	0
(144)	Capital expenditure awaiting reimbursement b/fwd	(3,632)
3,632	Capital expenditure awaiting reimbursement c/fwd	0
27,709	TOTAL	2,036

10. HRA CAPITAL RECEIPTS

2002/03 £'000	HRA Capital Receipts	2003/04 £'000
19,935	Sale of properties	191
767	Beechdale capital receipt	929
16,102	LSVT capital receipt	0
402	Mortgage repayments	322
2,332	Sale of land	0
39,538	TOTAL	1,442

11. COST OF CAPITAL CHARGE AND CAPITAL ASSET CHARGES ACCOUNTING ADJUSTMENT

Under the system of resource accounting in the HRA introduced in 2001/02, the HRA must be charged with notional interest based on the net value of dwellings on the balance sheet. The notional rate of interest is currently 3.5%. To ensure that this cost is not passed onto rent payers the capital asset charges accounting adjustment (CACAA) is made to ensure only the true cost of interest is charged. For 2003/04 the notional interest charged is nil (£15.640 million 2001/02) with CACAA being £0.174 million (£10.727 million 2001/02).

12. HRA SUBSIDY

HRA subsidy is payable to all local authorities that maintain a HRA. It is a Government grant that helps ensure that rents are kept at a reasonable level. Housing subsidy payable was nil in 2003/04:

2002/03 £'000	HRA Subsidy	2003/04 £'000
26,697	Allowance for management & maintenance	0
13,232	Major repairs allowance	0
7,985	Charges for capital	0
30,791	Rent rebates	0
0	Other items of reckonable expenditure	0
0	Allowance for tenants participation compacts	0
0	Allowance for resource accounting	0
-49,124	Guideline rent income	0
-109	Interest on receipts	0
29,472	TOTAL	0

13. GROSS RENT INCOME

As the authority has no housing stock there is no rent income for the year 2003/04.

14. PROVISION FOR BAD DEBTS

At 31 March 2004, the bad debt provision amounts to £0.542 million (£0.568 million as at 31 March 2003). Debts written off against the accumulated bad debt provision amounted to £0.026 million.

15. RENT ARREARS

Rent arrears at 31 March were as follows:

2002/03	HRA Rent Arrears	2003/04
568,321	Total rent arrears	541,872
0%	Rent as a percentage of gross debit	0%
0%	Change in rent arrears as a percentage of gross debit	0%

The only arrears remaining in the HRA are those that were not sold to WHG or WATMOS as part of LSVT.

16. REBATES

Assistance with rents for people on low incomes is available under the housing benefits scheme. Following LSVT, there have been no WMBC tenancies since 27 March 2003, hence none in receipt of rent rebate.

B. COLLECTION FUND

1. INCOME AND EXPENDITURE ACCOUNT

2002/03 £'000		2003/04 £'000
	INCOME	
	Note	
59,041	Income from business ratepayers (2)	57,108
60,688	Income from council tax payers (3)	71,865
15,155	Benefits	18,655
134,884		147,628
	EXPENDITURE:	
	Precepts and demands:	
68,056	Walsall Metropolitan Borough Council (5)	82,086
4,667	Police (5)	5,397
2,502	Fire and Civil Defence (5)	2,767
75,224		90,250
58,656	Payable to NNDR pool (2)	56,716
385	Cost of collection (2)	393
	Write offs	
0	- Community charge/poll tax	5
703	- Council tax	501
0	Change in provision for uncollectable amounts:	0
(1)	- Community charge/poll tax	(6)
(15)	- Council tax	71
134,953		147,931
(1,441)	Collection fund balance brought forward at 1 April	(644)
133,512		147,287
65	Transfer to Precepting Authorities	59
663	Amount used to support council tax	500
644	Collection fund balance carried forward at 31 March (6)	(218)
134,884		147,628

The income and expenditure account above has been shown to illustrate the transactions of a billing authority and has been prepared on an accruals basis.

2. INCOME FROM BUSINESS RATES

a) Income Collectable

Under the arrangements for uniform business rates, the council collected non-domestic rates for its area which are based upon local rateable values multiplied by a national uniform rate. The total rateable value for business rate purposes at 31 March 2004 was £156.505 million (£160.059 million 2002/03). The total amount, less certain relief and other deductions, is paid to a central pool (the NNDR pool) managed by central government which, in turn, pays back to authorities their share of the pool based upon a

standard amount per head of the local adult population. Under these arrangements, the amounts included in these accounts can be analysed as follows:

2002/03 £'000		2003/04 £'000
65,709	Gross amount payable to the NNDR Pool: Non-domestic rates	65,626
1,731	ADD/(DEDUCT): transitional relief	810
(560)	LESS: bad debts written off/provision for bad debts	(677)
(7,840)	allowances and other adjustments	(8,651)
59,041	Income from business ratepayers	57,108
(385)	LESS: Costs of collection allowance	(392)
58,656	Net income to pool	56,716

b) National Non-Domestic Rate Multiplier

The national non-domestic rate multiplier set annually by the Government is the rate in the pound by which the rateable value is multiplied to produce the annual rate bill for a property. For 2003/04 the multiplier is £0.444 (£0.437 in 2002/03).

3. INCOME DUE FROM COUNCIL TAX

The council set a council tax of £1,189.92 (£997.43 in 2002/03), including precepts for the Police Authority and the Fire and Civil Defence Authority based upon a tax base of 75,846 band D equivalent properties. This reduced tax base (see note 4) reflects assumptions made for discounts, relief to students, changes in the register and non-payment. The actual amounts credited to the collection fund can be analysed as follows:

2002/03 £'000		2003/04 £'000
75,843	Gross council tax due (Adjusted for changes in banding etc)	90,519
(15,155)	LESS: Benefit awarded	(18,655)
60,688	TOTAL	71,864

4. CALCULATION OF THE COUNCIL TAX BASE

Band	Weight	No. Dwellings	Discounted Value	Band D Equivalent
A	6/9	49,861	41,979	27,981
B	7/9	23,830	21,505	16,726
C	8/9	16,125	14,906	13,250
D	1	9,164	8,590	8,590
E	11/9	5,137	4,808	5,876
F	13/9	2,176	2,067	2,986
G	15/9	689	641	1,068
H	2	53	30	60
		107,035	94,524	76,535

5. ORGANISATIONS WHICH MADE A PRECEPT OR DEMAND ON THE FUND

2002/03 £'s		2003/04 £'s
68,055,695	Walsall Metropolitan Borough Council	82,085,850
4,666,974	Police	5,397,079
2,501,615	Fire and Civil Defence	2,767,446
75,224,284	TOTAL	90,250,375

6. COLLECTION FUND BALANCE

2002/03 £'000		2003/04 £'000
	Community Charge / Poll Tax	
0	Surplus/(deficit) brought forward 1 April	1
1	Surplus/(deficit) for year	1
1		2
0	Amount used to support council tax	
1	Surplus/(deficit) carried forward 31 March	2
	Council Tax	
1,441	Surplus brought forward 1 April	643
(70)	Surplus (deficit) for year	(304)
1,371		339
(65)	Transfer to precepting authorities	(59)
(663)	Amount used to support council tax	(500)
643	Surplus carried forward 31 March	(220)
644	Total Collection Fund Balance	(218)
	Appropriation of Council Tax Balance	
520	WMBC	(257)
81	Police	25
42	Fire and Civil Defence	12
643	TOTAL	(220)

C. TRUST AND SCHOLARSHIP ACCOUNTS

These accounts relate to gifts and bequests made to, held or administered by the council.

The capital sums have been invested in statutory securities and, in the case of most funds administered by Education, Lifelong Learning & Community and Corporate Services, the interest is used to provide grants and prizes. The council currently administers 5 trust funds as follows:

- i) S W Tame Fund for the purposes of prizes at Joseph Leckie School.
- ii) John Leckie Trust for the provision of scholarships.
- iii) Joseph Leckie Trust for the provision of scholarships.
- iv) Walsall Agricultural Fund for the provision of a prize fund.
- v) Barr Beacon for the provision and maintenance of open space.

1. INCOME AND EXPENDITURE

	Income £	Expenditure £	Net Income/(Expenditure)	
			2003/04 £	2002/03 £
Education, Lifelong Learning & Community				
S W Tame	18		18	18
John Leckie Memorial	902		902	894
Joseph Leckie Trust	919		919	908
Barr Beacon	9,240		9,240	9,085
Corporate Services				
Walsall Agricultural	25		25	24
TOTAL	11,104	0	11,104	10,929

FUNDS ASSETS	Capital Portion £	Revenue Accumulation £	Total 2003/04 £	Total 2002/03 £	Market	Value
					2003/04 £	2002/03 £
Education, Lifelong Learning & Community						
S W Tame	55	348	403	385	409	393
Joseph Leckie Memorial	1,518	19,117	20,635	19,733	19,117	19,734
Joseph Leckie Trust	1,500	19,355	20,855	19,937	20,899	20,029
Barr Beacon	0	248,401	248,401	239,160	248,401	239,160
Corporate Services						
Walsall Agricultural	330	213	543	517	542	517
TOTAL	3,403	287,434	290,837	279,732	289,368	279,833

Assets comprise local authority and central Government bonds and cash balances. The residents' personal monies, shown below, are held by social care on behalf of residents' in its own homes.

2002/03 £	Social Care Residents' Monies held	2003/04 £
470,112 (11,770)	Balance at 1 April Net Deposits/(Withdrawals) in year	458,342 (16,040)
458,342	TOTAL	442,302

2. TRUSTS CONSOLIDATED BALANCE SHEET

2002/03 £	Consolidated Balance Sheet	2003/04 £
634,527	Investment trust fund	618,487
0	Debtors:	0
103,548	- Miscellaneous	114,652
	- Cash	
738,075	TOTAL	733,139
734,672 3,403	- Revenue fund balances - Capital account	729,736 3,403
738,075	TOTAL	733,139

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL

The accounts follow the appropriate accounting practices as required by the Code of Practice on Local Authority Accounting in Great Britain. The Code has been approved as a Statement of Recommended Practice (SORP) which is recognised by statute as representing proper accounting practices. Compliance with Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS) are also identified where appropriate.

In reviewing its accounting policies, the council has complied with the concepts of FRS18. This is the accounting standard which relates to the selection, application and disclosure of accounting policies. However, in compliance with the SORP, the overriding principle of local authority accounts has been maintained, whereby any accounting treatment prescribed by law is applied even if it contradicts with the concepts of FRS18.

In the selection and application of accounting policies, consideration has been given to:

Relevance

Ensuring the statement provides information about the council's performance that is useful to readers of the statement in assessing the stewardship of public funds and for making economic decisions.

Reliability

The accounting statements have been prepared so as to reflect the reality or substance of the transactions and activities underlying them, rather than their formal legal character to comply with the requirements of FRS5. A prudent basis has been applied in exercising judgement under conditions of uncertainty.

Comparability

The accounts follow the presentation requirements of the Best Value Accounting Code of Practice (BVACOP). This aids comparability of information from one authority to another. In addition, the accounts include comparative figures for the previous accounting period where possible and considered useful to do so.

Understandability

The accounting principles on which the SORP is based include accounting concepts, treatment and terminology which require reasonable knowledge of accounting and local government. However, care has been taken to ensure that wherever possible, the accounts have been prepared to ensure they are as easy to understand as possible.

Materiality

The concept of materiality has been utilised in preparing the accounts, such that items of insignificant importance and fluctuations under an acceptable level of tolerance are permitted provided that in aggregate they would not affect the interpretation of the accounts by an informed reader. Where estimates have been used, these are noted within the specific accounting policies, e.g. debtors and creditors.

The following policies have therefore been adopted in compiling the accounts:

- A** As per FRS18 the revenue and capital accounts are maintained on an accruals basis. This means that the non cash effects of transactions are reflected in the accounting period in which the effects are experienced, not as money is paid or received.
- B** The accounts have been prepared on a going concern basis.

- C** The accounting statements have been prepared so as to reflect the reality of substance of the transaction and activities underlying them, rather than their formal legal character to comply with the requirements of FRS5.
- D** Income has only been recognised within the accounts where there is a reasonable certainty of receipt, and proper allowances have been made for all foreseeable losses and liabilities.

2. FIXED ASSETS

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. Fixed assets have been included in the balance sheet at net current replacement cost. For valuation purposes, property has been categorised as either operational or non-operational. Operational property has been further sub-categorised between either specialised or non-specialised. Bases of valuation are as follows:

Operational and Specialised
=Depreciated replacement cost (DRC)

Operational and Non-specialised
=Open market value in existing use (OMVE)

Non-operational and Non-specialised
=Open market value (OMV)

Asset values used in the computation of the accounts are based upon valuations which have been certificated by the council's professional valuer, Mr S.D. Law (B.Sc.estate management, MRICS). The date of the last valuation of the fixed assets was March 2004. The council has recently undertaken a survey of asset managers and the council's professional valuer, which has confirmed that there are no material impairments which affect the value of those assets.

Infrastructure assets are included in the balance sheet at historic cost based on cumulative loan sanctions as at 31 March 1990 where appropriate, increased by actual expenditure for the period 1990 – 2004.

3. DEPRECIATION

Assets other than land are being depreciated over their useful economic lives using the straight-line method over the following periods:

Buildings - 10 to 80 years
Infrastructure - 25 to 35 years
Mobile plant - 5 to 10 years
Motor vehicles - 5 years
Car parks – 50 years

4. CAPITAL CHARGES

Capital charges made to service revenue accounts, central support services and PSE accounts, equate to a sum at least equal to depreciation plus a notional interest charge based on the net amount at which a fixed asset is included in the balance sheet at 31 March 2004. The notional rates of interest used are 3.5% (6% in 2002/03) for both those fixed assets included in the balance sheet at current value and for infrastructure and community assets.

The practical application of these interest rates has been undertaken in accordance with the practitioner's guide on the capital accounting provisions of the Code of Practice on Local Authority Accounting in Great Britain.

5. CAPITAL RECEIPTS

Capital receipts from the disposal of assets are treated in accordance with provisions of the Local Government and Housing Act 1989. All income received from the sale of land, buildings and other items can be used to pay for capital expenditure that is expenditure incurred in the acquisition, construction, enhancement or repair of council owned assets.

There is no restriction on the council as to when it can use income received and money can be carried forward into future years.

6. REPURCHASE OF BORROWING

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Consolidated Revenue Account in the periods during which the repurchase or early settlement is made. Where, however, the repurchase of borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains or losses have been recognised over the life of the replacement borrowing.

7. GOVERNMENT GRANTS

Revenue grant income is credited to the appropriate revenue account in the same period in which the related expenditure is charged. Capital grants (those relating to fixed assets) are credited to a government grants deferred account in the year of receipt. These are then written out, depending upon the type of grant, in full in the year of receipt or over a period of years to offset any provision for depreciation charged to the revenue account.

8. DEFERRED CHARGES

Deferred charges represent expenditure that does not result in the creation of tangible assets. They include capital grants to individuals and organisations that have been paid out by the council. Grants paid include housing renovation grants and disabled facilities grants. Deferred charges incurred during the year are written off to the revenue account. As part of the capital accounting entries deferred charges are passed through the capital financing reserve and the consolidated revenue account so there is no impact on the levels of council tax.

9. CONTINGENT LIABILITIES

These are explained in note 45 page 36.

10. POST BALANCE SHEET EVENTS

These are detailed in note 46 page 36.

11. INTEREST

Internal interest is charged and credited to the housing revenue account in accordance with statutory provisions. Any difference between actual and notional interest transactions is borne by the general fund. Interest payable on external borrowings and interest income from short term investment of surplus funds are accrued and accounted for in the period to which it relates.

12. VALUE ADDED TAX (VAT)

VAT is included within the accounts only when elements are irrecoverable and therefore charged to service expenditure.

13. INVESTMENTS

Investments are shown on the balance sheet at cost less provision, where appropriate, for any loss in value. Investment income is credited to the revenue account when it falls due.

14. LEASES

Rentals payable under operating leases are charged to revenue on a straight-line basis over the term of the lease. In addition, in accordance with UITF12, operating lease rentals payable are accounted for net of benefits received or receivable. The leasing company reimburses expenditure incurred on acquisition of leased items during the financial year. From the date of reimbursement annual rentals payable in advance become due, but only that proportion of the rental relevant to the current year is included in the revenue accounts. The open hire scheme is an operating lease purely for computer equipment.

15. DEBTORS

Government grants and reimbursements and similar payments due from other bodies are taken into account using the latest available information. No significant estimates have been used. Other income is taken into account when it becomes due.

16. CREDITORS

Revenue expenditure incurred up to 31 March 2004 is taken into account with the exception of minor items and where the invoicing period does not end on that date. This includes accounts from statutory undertakings, e.g. electricity, where the four-quarterly accounts may not always exactly coincide with the year-end. Estimates have been made in respect of landfill costs based on tonnage of waste.

17. PROVISIONS AND CONTINGENCIES

Provisions have only been made in the accounts when there is a legal obligation or constructive requirement to transfer economic benefits as a result of a past event. Provisions are charged to the revenue account and are deducted or added to the carrying balance of the appropriate current asset or liability on the balance sheet. When expenditure is incurred to which a provision related, it is charged directly to the provision.

18. STOCKS

Other than those of a small value, stocks and stores are included in the accounts using where possible, either an average cost price method; on a first in, first out basis; or the selling price if this is a lower value.

19. RESERVES

Any amounts set aside for purposes falling outside the definition of provisions have been accounted for as reserves, and transfers to and from reserves are shown in the appropriations section of the revenue account and not within service expenditure. Expenditure is charged to revenue and not directly to any reserve. The exceptions allowed by the Code and statute are:

- The Useable Capital Receipts Reserve is required under the Local Government & Housing Act 1989 and is credited with income from the disposal of fixed assets. In the year the useable receipts are used to finance capital expenditure they are applied to the Capital Finance Reserve. The reserved element of the receipt is used to repay debt and is transferred to the Capital Finance Reserve in the year it is received.

- Under the Code, capital receipts (see above) and capital grants and contributions on non-depreciable fixed assets are not appropriated through revenue to the Capital Financing Reserve.
- Also under the Code, any disposal or revaluation of a fixed asset is accounted for in the Fixed Asset Restatement Reserve.

20. REDEMPTION OF DEBT

A provision for credit liabilities (PCL) is a notional account (shown as a note to the balance sheet, page 36). It contains reserved capital receipts and the application of European Commission grants, together with the minimum revenue provision (MRP) which, under the Local Government and Housing Act 1989, may only be used to repay debt in place of borrowing.

Repayments of principal are now made in the year after the advance in accordance with statutory provisions, requiring a revenue provision of 2% on the housing revenue account and 4% on the total of all other services, less permitted adjustments linked to cash flows on commuted grants.

21. MINIMUM REVENUE PROVISION

In accordance with the requirements of the Local Government and Housing Act 1989 the authority is required to set aside a minimum revenue provision for the repayment of debt. This is the aggregate of 4% of the adjusted credit ceiling as at the beginning of the year for the general fund and 2% for the housing revenue account. If depreciation does not equal this amount, a transfer to/from the Capital Financing Reserve is made for the difference.

22. FOUNDATION SCHOOLS

The Schools Standards and Framework Act, 1998 changed the status of grant maintained schools to foundation schools maintained by the Local Education Authority. This change has resulted in the inclusion of fixed assets and current assets and liabilities controlled by foundation schools in the balance sheet figures with effect from 31 March 2001. There are no long-term liabilities.

23. FRS17 - RETIREMENT SCHEMES

Local authorities are required from 2003/04 to fully implement FRS17 within their statement of accounts. This represents a change in accounting policy to those applied in prior years. Previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to the pensioners for which the council was directly responsible. The new policies better reflect our commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

The change has had the following effects on the results of the prior and current periods:

- The overall amount to be met from Government grants and local taxation has remained unchanged, but the costs disclosed for individual services are 0.21% higher after the replacement of employers' contributions by current service costs and net operating expenditure is 2.98% higher than it would otherwise have been.
- The requirement to recognise the net pension liability in the balance sheet has reduced the reported net worth of the authority by 23.08%.

24. OVERHEADS

In accordance with the Best Value Accounting Code of Practice, users are charged for the costs of support services (e.g.: finance, legal, personnel, computing etc.) incurred. This includes services, capital accounts and other support services. Costs of the Corporate & Democratic Core which include Democratic Representation and Management (DRM) and Corporate Management (CM) are separately identified and not apportioned to any user. The following table lists the methods of customer charging.

CENTRAL SUPPORT SERVICE CHARGES	
CSS ELEMENT	METHOD OF CHARGING
Cashiers	Fixed charge based on bands of transaction numbers.
Creditors	Fixed charge based on bands of transaction numbers, with an additional unit charge per payment in advance of weekly list.
Debtors	Fixed charge dependent upon age of debt and bands of transaction numbers.
External Audit	Fixed charge based on cost of annual audit plan and additional charge for specific grant claim work.
Finance	Fixed charges to cover routine and council – wide activities. Remainder is charged on an hourly rate basis according to the actual time spent by individual officers on various finance and accountancy activities.
Insurance	Charge based on number of claims, level of risk and type of insurance cover.
Internal Audit	Fixed daily charge based on the risk assessed internal audit plan plus an additional daily charge for unplanned work.
General Ledger (LAFIS)	Charge based on actual usage of the system within various categories including transaction numbers, code structure and output.
Payroll & Pensions	The computer processing cost of payroll production is based on the number of employees and frequency of each payroll.
Information Systems	Complex charge, including the following elements : Capital financing costs; data preparation; mainframe usage; software applications; communications links; equipment; consultancy work.
Legal	Charges based on time spent by individual officers on individual case matters and other work.
Employment Support (Staffing)	Charges based on number of employees.

GLOSSARY OF TERMS

A

Accounting period: the period of time covered by the accounts, normally twelve months commencing on 1 April. The end of the accounting period i.e. 31 March is the balance sheet date.

Accounting policies: within the range of possible methods of accounting, a statement of the actual methods chosen locally and used to prepare these accounts.

Account and Audit Regulations 1996 / 2003: the current sets of regulations which detail the accounts needed, how they should be published, right of electors, and the conduct of the annual statutory audit.

Accruals basis: the method of including amounts in accounts to cover income or expenditure attributable to an accounting period but for which payment has not been received or made by the end of the accounting period. This is based on the concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Agency Services: work carried out by one party on behalf of another.

Amortised: reducing the value of a deferred charge in an accounting period. The reduction in value transferred from the consolidated balance sheet to the consolidated revenue account.

Appropriations: transferring of an amount between specific reserves in the consolidated revenue account.

Asset charges: from 1 April 1994, the council has charged individual services with the full economic costs of assets they use to deliver their services. The asset charges paid by services are reversed in the asset management revenue account ensuring that there is no impact on the level of council tax. The account meets the charge for the depreciation of the council's fixed assets, and the external interest payable on the council's borrowing and finance leases. Capital grants and contributions are credited to the asset management revenue account over the same asset lives as assumed for the calculation of depreciation.

Asset Management Revenue Account: this account compares charges to services for the use of assets with the cost to the authority of providing those assets. The net effect is shown in the consolidated revenue account.

Asset: something of value which is measurable in monetary terms.

Audit Commission: statutory body which oversees the conduct of local authority statutory audits.

B

Bad (and doubtful) debts: debts which may be uneconomic to collect or unenforceable.

Balances: the reserves of the authority, both revenue and capital, which represent the accumulated surplus of income over expenditure on any of the funds.

Balance Sheet: a statement of the recorded assets, liabilities and other balances at the end of an accounting period.

Best Value: government initiative, which replaces CCT and places a duty on local authorities to achieve economy, efficiency, effectiveness and quality of service delivered to local people. This is to be achieved by finding out the needs of local people and

meeting these needs. To challenge, compare, consult and compete in service provision and to seek continuous improvement with performance targets benchmarking against the best.

Billing authority: Walsall Council is the billing authority responsible for the collection of the council tax and non-domestic rates. The council tax includes amounts for precepting authorities – the West Midlands Fire & Civil Defence and Police Authorities.

Budget: a statement of the council's expected level of service expressed as an amount of spending over a set period, usually one year.

C

Capital charges: charges to the revenue accounts to reflect the cost of fixed assets used in the provision of services. The charges themselves consist of depreciation based on the useful lives of the assets (intended to represent the cost of using the assets) and a notional interest charge on the book value of the assets (to represent the cost of tying up resources in those assets).

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 assets.

Capital receipts: the proceeds from the sale of a fixed asset, or the repayment of an advance made by the council.

Capitalised: transferred from revenue to capital.

Cash and cash equivalents: this comprises cash in hand, cash overdrawn and short term investments which are readily convertible into known amounts of cash.

Cashflow: movement in money received and paid by the council in the accounting period.

CIPFA: The Chartered Institute of Public Finance and Accountancy.

CIPFA/LASAAC Code of Practice on Local Authority Accounting: the Statement of Recommended Practice applicable to preparing the accounts.

Collection Fund: a statutory account which billing authorities have to maintain for the collection and distribution of amounts due in respect of council tax, non-domestic rates and residual community charge ("poll tax").

Community assets: assets that the council intends to hold in perpetuity, have no determinable finite useful life and in addition may have restrictions on their disposal. Examples of community assets are playing fields and parks.

Compulsory Competitive Tendering: former statutory requirement to prepare and let contracts for certain activities of the council. Council departments may tender for the provision of these services in competition with other sectors of the economy. Now replaced by Best Value.

Consistency: the concept that the accounting treatment of like items within an accounting period and from one period to the next should be the same.

Consolidated: added together with adjustments to avoid double counting of income, expenditure or to avoid exaggeration, e.g. debtors, creditors as a result of trading between services within the council which are reported on as a whole in the section on consolidated financial accounts.

Contingent liabilities: potential liabilities at the balance sheet date which depend on the occurrence or non-occurrence of one or more uncertain future events. The liabilities should be included in the balance sheet where it is probable that a loss will be incurred which can be estimated reasonably accurately at the time the accounts are prepared. Otherwise, where the contingencies are likely to be material, the fact that they exist should be disclosed as a note to the accounts.

Council tax: a banded property tax which is levied on domestic properties throughout the country. The banding is based on estimated property values as at 1 April 1991. The level of tax is set annually by each local authority for the properties in its area.

Council tax benefit: financial assistance available to residents on a low income that are liable for council tax. The majority of the cost to the council of these benefit payments is reimbursed by central Government grant.

Corporate & Democratic Core: defined elements of support service costs which are not chargeable to services, sub-divided into Democratic Representation (DRM) and Corporate Management (CM).

Corporate management: those activities and costs which provide the framework for services to be undertaken and information required for public accountability.

Credit approvals: amounts notified by the Government each year which represent permission to incur capital expenditure and finance it from loans or other forms of credit.

Credit liabilities: forms of credit scored against the capital resources of the council.

Creditors: amounts owed by the council for work done, goods received or services rendered to the council during the accounting period, but for which payment has not been made by the balance sheet date.

Current assets: which will be consumed or cease to have value within the next accounting period, e.g. stock and debtors.

D

Debtors: amounts due to the council which relate to the accounting period and have not been received by the balance sheet date.

Deferred capital receipts: amounts derived from the asset sales which will be received in instalments over a period of a year (e.g. mortgages on the sale of council houses).

Deferred charges: expenditure which may properly be spread over more than one year but which does not result in, or remain matched with, tangible assets. An example of a deferred charge is the cost of local government reorganisation, the effects of which have performance over more than the immediate accounting period.

Deferred liabilities: these are liabilities which are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time, e.g. deferred purchase arrangements.

Democratic Representation & Management: all aspects of members' activities including service policy making and more general activities relating to governance and representing local interests.

Depreciation: the loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

E

Earmarked reserves: these reserves represent the monies set aside that can only be used for a specific usage or purpose.

EMT: Executive Management Team

Environment Agency: statutory body responsible for land drainage and water quality. The council pays a levy in respect of its share of the cost of the Environment Agency's activities in the midlands regions.

Exceptional: material items which arise from events or transactions that fall within the ordinary activities of the council and which by virtue of their size or incidence need to be disclosed separately to give a fair presentation of the accounts.

Expenditure: costs incurred by the council for goods received, services rendered or other value consumer during the accounting period, irrespective of whether or not any movement of cash has taken place.

F

Finance lease: a lease that transfers the risk and rewards of ownership of a fixed asset to the lessee. Such a transfer of risk and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amount to substantially all the fair value of the leased asset.

Fixed asset restatement reserve: a reserve which records the total of unrealised gains and losses in fixed asset values at the end of the accounting period through, for example, revaluation of the assets.

Fixed assets: tangible assets which have value to the council for more than one year, e.g. land, buildings, equipment.

Free from material misstatements: the accounts have no significant items which are incorrect, summarised or presented in an inappropriate or misleading manner.

G

General Fund: the main revenue account of the council, which brings together all income and expenditure other than recorded in the Housing Revenue Account, PSE accounts and the Collection Fund.

Government support / grants: assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfer of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

H

Historical cost: the actual cost of assets, goods or services, at the time of their acquisition.

Housing benefits: financial assistance paid to tenants on a low income to help pay their rent and service charges.

Housing Revenue Account: a statutory account which local authorities have to maintain if they provide public housing, and which includes all income and expenditure relating to the administration and maintenance of council dwellings and related properties.

Housing subsidy: a grant from or payment to central Government in connection with the operation of the Housing Revenue Account.

I

Income: amounts due to the council in respect of services performed, taxes levied or grants receivable during the accounting period, irrespective of whether or not any movement of cash has taken place.

Infrastructure assets: fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Investment properties: interests in land and/or buildings in respect of which construction work and development have been completed and which are held for their investment potential rather than for operational purposes, any rental income being negotiated at arm's length.

Investments: items such as company shares, other securities and money deposited with financial institutions (other than bank current accounts).

IPM: – Individual Performance Management, the framework Walsall MBC uses to manage individual performance and assess training and development needs.

L

Leasing: a method of acquiring the use of an asset by paying a rental for a specified period of time, rather than purchasing it outright.

Liabilities: amounts due to individuals or organisations which will have to be paid at some time in the future.

LSVT Debt Overhang: debt considered by ODPM to be attributable to the HRA.

M

Material: the concept that any omission from or inaccuracy in the statements of account should not be large enough to affect the understanding of those statements by a reader.

Minimum revenue provision: the minimum amount which must be charged to an authority's revenue accounts and set aside as a provision to repay external debt. It is calculated by applying a prescribed percentage of outstanding debt.

N

National Non-Domestic Rates: a tax levied on business properties, sometimes known as Business Rates. An NNDR poundage is set annually by the Government. Rates based on properties' rateable values are collected by billing authorities and paid into a national pool. The proceeds are then redistributed by central Government as a grant to local authorities in proportion to adult population.

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 by depreciation.

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

Non-operational assets: fixed assets held by the council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements pending sale or redevelopment.

O

ODPM: Office of the Deputy Prime Minister – Government department responsible for local government issues.

Operating lease: a lease where the risks and rewards of ownership of a fixed asset remain with the lessor. Such a lease will be for a fixed period which is significantly less than the useful economical life of the asset.

Operational assets: fixed assets occupied, used or consumed by the council in direct delivery of those services for which it has either statutory or discretionary responsibility.

P

Precept: a levy determined by one authority which is collected on its behalf by another e.g. Walsall MBC collects Police and Fire Authority precepts.

Presents fairly: summarised without misleading or aggregating items best explained as separate amounts.

Prior year adjustments: material adjustments to the accounts of earlier years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provisions: amounts set aside in the accounts for liabilities or losses which are certain or very likely to occur but where there is uncertainty as to the amounts involved or the dates on which they will arise.

Public Sector Enterprise (PSE): from 01.04.01 the term PSE is used to cover both Direct Labour Organisations (DLOs) established under the Local Government Planning and Land Act 1980 and DSOs established under the Local Government Act 1988, for the in-house provision of certain local services.

Public Works Loan Board (PWLB): a central Government agency which lends money to local authorities at lower rates than those generally available from the private sector. Local authorities are able to borrow a proportion of their requirements to finance capital expenditure from this source.

R

Replacement cost: cost of replacement of the asset at the balance sheet date.

Reserves: amounts set aside in the accounts to meet expenditure which the council may decide to incur in future period, but not allocated to specific liabilities which are certain or very likely to occur. Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as balances, and usually arise as unplanned surpluses of income over expenditure.

Revenue contributions: method of financing capital expenditure directly from revenue.

Revenue Support Grant: a central Government grant paid to each local authority to help to finance its general expenditure. The distribution of the grant between authorities is intended to allow the provision of similar standards of service throughout the country for a similar council tax levy.

Ring-fenced: this refers to the statutory requirement that certain accounts such as the Collection Fund must be maintained separately from the General Fund.

S

Stocks and Stores: raw material and consumable items which the council has procured to use on a continuing basis and has not been used by the end of the accounting period.

SSAP: Standard Statement of Accounting Practice.

Suspense: accounts where transactions are not allocated, e.g. as income, expenditure or balances, at the time of writing up the accounts for publication.

T

Trust funds: funds administered by the council on behalf of minors and others for such purposes as prizes, charities and specific projects.

W

WCVS: Walsall Council for Voluntary Services.

Work in progress: the cost of work done up to a specified date on an uncompleted project.



AUDIT CERTIFICATE



Audit Commission

Walsall MBC

AUDITORS REPORT TO WALSALL METROPOLITAN BOROUGH COUNCIL

I have audited the financial statements on pages 1 to 55 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 50 to 55. This report is made solely to Walsall Metropolitan Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

RESPECTIVE RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER & AUDITOR

As described on page 8, the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2003: A Statement of Recommended Practice. My responsibilities as an independent auditor are established by statute, the Code of Audit Practice issued by the Audit Commission and my professional ethical guidance. I report to you my opinion as to whether the financial statements presents fairly the financial position of the council and its income and expenditure for the year.

I report to you whether the statement on internal control on page 9 reflects compliance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2003: A Statement of Recommended Practice. I report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether it covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. My review is not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

BASIS OF AUDIT OPINION

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the council in the preparation of the financial statements and of whether the accounting policies are appropriate to the council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations, which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In my opinion, the financial statements present fairly the financial position of Walsall Metropolitan Borough Council as at 31 March 2004, and its income and expenditure for the year then ended.

CERTIFICATE

I certify that I have completed the audit of accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

JOHN GREGORY
District Auditor

Walsall Metropolitan Borough Council Final Accounts 2003/2004Statutory Determinations of the Executive Director of Finance, Legal and Performance (in accordance with Part IV of the Local Government and Housing Act 1989)

Section of Act	Description	Walsall £	West Midlands Probation £	Total £
42 (2) (a)	Expenditure through credit arrangements		0	0
42 (2) (b)	Loans Repaid	44,132,079	0	44,132,079
42 (2) (c)	Expenditure to be financed using credit approvals	16,980,325	0	16,980,325
42 (2) (d)	Expenditure on approved investments		0	0
42 (2) (e)	Application of capital receipts	6,731,010	0	6,731,010
59 (8)	To repay Government Grant		0	0
59 (9)	To meet disposal costs		0	0
42 (2) (f)	Expenditure met from useable capital receipts	6,731,010	0	6,731,010
42 (2) (g)	Capital expenditure to be reimbursed by other persons except European Community			
	- brought forward	1,582,234	0	1,582,234
	- actually received	14,901,128	0	14,901,128
	- relating to earlier		0	0
	- in advance	(2,173,148)	0	(2,173,148)
	- temporary borrowing		0	0
42 (2) (h)	Superannuation Fund		0	0
42 (2) (i)	Trust Fund Payments		0	0
45	Overall borrowing Limit			0
	Short Term Borrowing Limit			0
	Proportion of interest payable at variable			0
56 (1)	Credit approvals received	17,436,446	0	17,436,446
56 (2)	+ Transferred from O.L.A.		0	0
	- Transferred to O.L.A.	(530,000)	0	(530,000)
56 (2) (a)	Credit approvals used	16,980,325	0	16,980,325
56 (2) (b)	Credit arrangements		0	0
57	Specified capital grants	14,226,729	0	14,226,729
60 (2)	Use of useable capital receipts			0
60 (2) (a)	To meet expenditure	6,731,010	0	6,731,010
60 (2) (b)	As a provision for credit liabilities		0	0
63	Set aside to meet credit liabilities		0	0
63 (1)	Minimum Revenue Provision			0
	HRA (2%)	0	0	0
	Other (4%)	6,471,973	0	6,471,973
	- Grant commutation adjustment	(2,770,000)	0	(2,770,000)
	Abatement of Grant commutation adjustment		0	0
63 (2) (3)	Grant commuted in year		0	0
	Capital Receipts set aside		0	0
63 (4)	European Community grants	674,399	0	674,399

Signed 

30th June 2004