



**SPECIAL AUDIT COMMITTEE**  
**30 SEPTEMBER 2005**

**AGENDA  
ITEM:**

**STATEMENT OF ACCOUNTS 2004/5 (POST AUDIT)**

**Ward(s):** ALL

**Forward Plan:** Yes

**Portfolio:** Cllr J. G. O'Hare – Deputy Leader

**Service:** Corporate financial report, covering all services.

**Summary of report:**

This report presents the Audit Commission's Annual Statement of Auditing Standards (SAS610) (**Appendix 1**) and the authority's audited statement of accounts (**Appendix 2**) for the financial year 2004/5 in accordance with the Accounts & Audit Regulations 2003.

**Background Papers:**

Various financial working papers.

**Recommendations:**

1. Receive the Statement of Auditing Standard (SAS) 610 report from the Audit Commission on their audit of the 2004/5 statement of accounts and consider the key messages. (Appendix 1).
2. Note that there have been agreed amendments made to the accounts during the audit.
3. Receive and endorse the final post-audit Statement of Accounts for 2004/5 (Appendix 2).
4. Authorise the Executive Director (CFO) to distribute copies of the audited statement of accounts to all partners and stakeholders.

**Signed:** .....

**Executive Director:** Carole Evans

**Date:** 26.09.05

**Resource and Legal Considerations**

As at 31.03.05 the final audited Statement of Accounts shows aggregate general fund services, (including PSE's and earmarked reserves) to have overspent by £2.237m

against a net budget of £321.313m. This was a planned overspend, to be met by reserves, as approved by Council on 1.03.04. The overall effect results in net general reserves of £6.628 m as at 31.03.05.

### **Citizen Impact**

The 2004/5 budget was policy-led and aligned with activity in service plans. Investment was targeted at modernisation, service improvement and service-user demand. Demonstration of financial stability and management promotes public confidence and credibility.

### **Environment Impact**

Some investment within the statement of accounts supported environmental improvements.

### **Performance Management and Risk Management Issues**

The 2004/5 outturn provides a sound, stable financial foundation to 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 2004/5.

Mr J Gregory and Mr B Warwick of the Audit Commission will address the committee on the key issues contained in their report.

### **Equality Implications**

Services have regard to equalities issues in delivering services.

### **Consultation**

The report is prepared in consultation with various managers and executive directors.

### **Contact Officer:**

Vicky Crowshaw,

Head of Corporate & Strategic Finance, ☎ 2349

[crowshawv@walsall.gov.uk](mailto:crowshawv@walsall.gov.uk)

# **Report on the 2004/05 Financial Statements to the Audit Committee**

**Walsall Metropolitan Borough Council**

**Audit 2004/2005**

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high quality local and national services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we monitor spending to ensure that public services are good value for money.

### **Status of our reports to the Council**

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

### **Copies of this report**

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

© Audit Commission 2005

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

# Contents

<b>Introduction</b>	<b>4</b>
Status of the audit	4
Matters to be reported to those charged with governance	5
Next steps	7
<b>Appendix 1 – Independent Auditor’s Report to Walsall Metropolitan Borough Council</b>	<b>8</b>

## Introduction

- 1 Professional auditing standards require auditors to report certain matters arising from the audit of the financial statements to 'those charged with governance':
  - expected modifications to the audit report;
  - unadjusted non-trifling misstatements;
  - material weaknesses in accounting and internal control systems;
  - qualitative aspects of accounting practice and financial reporting;
  - matters required by other auditing standards to be reported to those charged with governance; and
  - other matters that we wish to draw to your attention.
- 2 We have agreed with the Council that the communications required under these auditing standards would be with the Audit Committee. This report sets out for the Audit Committee's consideration the matters arising from the audit of the financial statements for 2004/05.

## Status of the audit

- 3 Our work on the financial statements is now substantially complete. We anticipate being able to issue an unqualified opinion by 30 September 2005 (a draft report is attached at Appendix 1).

## **Matters to be reported to those charged with governance**

- 4 We have the following matters to draw to the Audit Committee's attention.

### **Unadjusted misstatements**

- There are no unadjusted non-trifling misstatements which we wish to bring to your attention.
- We are also required to consider reporting adjusted misstatements to you where these are significant and are relevant to your governance responsibilities. We draw your attention to the following misstatements that management has adjusted but also bring to your attention that the net effect of all adjustments was modest increase in your general fund balance from the originally reported £6.246 million to £6.628 million.
  - Provisions in the accounts have been reduced by a total of £548,000 as we have agreed with management that the circumstances which caused the provision to be created were no longer applicable.
  - £384,000 in relation to a limestone works project had been included in debtors when the grant funding body had informed the council that additional funding to cover this amount would not be agreed until the council had completed a survey to justify the expenditure. In this particular case the original grant allocation had been exceeded without formal request for additional approval to spend. The council has asked for but not yet received additional approval. English Partnerships has granted retrospective approvals in the past and management feel that it is not unrealistic that this current request will be approved.
  - At the start of the audit management drew to our attention an error of £2.43 million which affected both debtors and creditors equally.
  - There was a total of £4.16 million shown as unpresented cheques in the balance sheet which were actually creditors.
  - £456,000 in relation to a European Social Fund grant had been incorrectly included in income and expenditure.

The last three items above are reclassifications and do not have an impact on the general fund balance.

### **Material weaknesses in accounting and internal control systems**

- Internal Audit has already reported to the Audit Committee during the year and these are summarised in the Statement of Internal Control.

- During our audit, we found that there was scope to further improve control over grant funded expenditure. The limestone scheme issue was one example. Another is the expenditure incurred on Sure Start schemes for some of which instalments of grant had been withheld because of the late submission for audit of 2003/04 grant claims. This delay was partly due to problems with the Sure Start Unit's computer systems but in all the council had incurred expenditure of over £2.9 million in 2004/05 with a loss of interest to the Council estimated to be £137,000 (in 2005/06 there is £5.7 million grant owing for the first half of the financial year). This had not been identified by the budgetary control processes in a timely way to enable action to be taken. Management have raised the issue has been discussed with your Education Partner. All these schemes have now been audited and grant receipt is expected imminently.

### **Qualitative aspects of accounting practices and financial reporting**

We have no issues which we wish to bring to your attention.

### **Matters required by other auditing standards to be reported to those charged with governance**

- There are no issues which we wish to bring to your attention.

### **Other matters that we wish to draw to your attention**

The audit of the financial statements has been more difficult than in previous years. We have discussed this with management as the audit has progressed and we have jointly agreed that the reasons for this have been the following.

- The change from LAFIS to Oracles Financials. All changes in major computer systems result a steep learning curve for all those using them. This resulted in management taking slightly longer than usual to close the accounts and auditors taking longer than usual to understand the different way in which information was presented. The accounts were still completed within the statutory timescales and with one year's experience this should not be a major problem next year.
- As a result of the later close down a small proportion of the initial working papers were not adequate to support the figures in the accounts.
- Some council staff key to our audit were on annual leave when we were trying to carry out the majority of our audit work in August. Adequate working papers would have reduced the problems which arose from this issue. We have discussed this with management and are developing a comprehensive, minimum standard set of working papers.



- In two instances we were initially refused access to information which we requested as part of our audit. The reasons given were, in one case the information was subject to a confidential process and therefore not available to the public, in the other we were denied access under Data Protection legislation. In both cases officers were trying to protect the Council's interests and both issues were resolved quickly and we gained access to the required information. Management have already made it clear to staff that auditors have access to all information they feel necessary for the purpose of the audit.
- We have been informed by management that the issues which have arisen have been noted and that specific action and training plans have been put in place.

Finally, next year we anticipate that many of the detailed processes on which we will be seeking audit confirmation may be provided by your strategic partner. We feel that it is important for the council to ensure that it has put effective procedures in place to ensure that it can close the 2005/06 accounts in a timely manner and that it has secured adequate supporting information to enable us to carry out our audit in an efficient manner. We have been assured that management is taking steps to ensure that sufficient information will be available for the preparation and audit of the accounts.

## Next steps

- 5 We are drawing these matters to the Audit/Regulatory Committee's attention so that you can consider them before the financial statements are approved and certified.

## **Appendix 1 – Independent Auditor’s Report to Walsall Metropolitan Borough Council**

I have audited the statement of accounts on pages 1 to 51 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 53 to 57.

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 36 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

### **Respective responsibilities of the Chief Financial Officer and Auditor**

As described on page 8 the Chief Financial Officer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my/our profession’s ethical guidance.

I report to you my opinion as to whether the statement of accounts presents fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on internal control on page x reflects compliance with CIPFA’s guidance ‘The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003’ published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA 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 the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Council’s corporate governance procedures or its risk and control procedures. My review was 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 statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

## **Opinion**

In my opinion the statement of accounts presents fairly the financial position of Walsall Metropolitan Borough Council as at 31 March 2005 and its income and expenditure for the year then ended.

## **Certificate**

I cannot certify the completion of the audit as I still need to finalise my response to an elector's question to me. I anticipate that this will be resolved within a few weeks.

Signature:.....

Date: 30 September 2005

Name: John Gregory

Address: Audit Commission

No 1 Friars Gate

1011 Stratford Road

Solihull

West Midlands

<b>1. INTRODUCTION TO THE STATEMENT OF ACCOUNTS .....</b>	<b>4</b>
<b>2. AN OVERVIEW OF THE COUNCIL'S FINANCIAL PERFORMANCE IN 2004/05 .....</b>	<b>5</b>
1. GENERAL FUND .....	5
2. COLLECTION FUND .....	5
3. HOUSING REVENUE ACCOUNT.....	5
4. COUNCIL TAX.....	5
5. GENERAL FUND RESERVES AND BALANCES.....	5
6. CAPITAL EXPENDITURE .....	5
7. INTANGIBLE FIXED ASSETS .....	6
8. TANGIBLE FIXED ASSETS .....	6
9. CAPITAL FUNDING.....	6
10. SURPLUSES AND DEFICITS .....	6
11. PFI SCHEMES.....	6
12. EDUCATION WALSALL.....	7
13. FRS17.....	7
14. DEFERRED CHARGES .....	7
<b>3. STATEMENT OF RESPONSIBILITIES .....</b>	<b>8</b>
WALSALL COUNCIL'S RESPONSIBILITIES: .....	8
THE CHIEF FINANCIAL OFFICER'S RESPONSIBILITIES: .....	8
CERTIFICATION OF THE ACCOUNTS .....	8
<b>4. STATEMENT ON SYSTEM OF INTERNAL CONTROL.....</b>	<b>9</b>
<b>MAIN FINANCIAL STATEMENTS.....</b>	<b>15</b>
<b>A. CONSOLIDATED REVENUE ACCOUNT .....</b>	<b>15</b>
<b>B. CONSOLIDATED BALANCE SHEET .....</b>	<b>16</b>
<b>C. STATEMENT OF TOTAL MOVEMENT IN RESERVES .....</b>	<b>17</b>
<b>D. THE COUNCIL'S CASHFLOW STATEMENT .....</b>	<b>18</b>
<b>NOTES TO THE MAIN FINANCIAL STATEMENTS .....</b>	<b>19</b>
1. AUDIT COSTS .....	19
2. TRADING ACCOUNT SUMMARY .....	19
3. ASSET MANAGEMENT REVENUE ACCOUNT .....	19
4. EXPENDITURE INCURRED UNDER S 137 – LOCAL GOVERNMENT ACT 1972.....	19
5. EXPENDITURE IN ACCORDANCE WITH S 5 (i) – LOCAL GOVERNMENT ACT 1986 .....	20
6. MARKETS UNDERTAKING .....	20
7. AGENCY SERVICES.....	20
8. MINIMUM REVENUE PROVISION .....	20
9. OFFICERS' EMOLUMENTS .....	20
10. LOCAL AUTHORITY (GOODS & SERVICES) ACT 1970 .....	21
11. MEMBERS' ALLOWANCES .....	21
12. PRIVATE FINANCE INITIATIVE (PFI) CONSULTANCY COSTS .....	21
13. PRIVATE FINANCE INITIATIVES.....	21
14. RELATED PARTY TRANSACTIONS .....	22
15. PREPARING FOR THE EURO .....	23
16. BUILDING REGULATIONS CHARGING ACCOUNT.....	23
17. POOLED BUDGETS.....	24
18. PENSION COSTS .....	24
19. FRS17 – RETIREMENT BENEFITS .....	25
20. INTANGIBLE FIXED ASSETS .....	27
21. TANGIBLE FIXED ASSETS .....	28
22. LONG TERM INVESTMENTS .....	28
23. LONG TERM DEBTORS .....	29
24. STOCKS AND WORK-IN-PROGRESS .....	29
25. DEBTORS.....	29
26. SHORT TERM INVESTMENTS .....	30
27. CASH IN HAND AND OVERDRAWN.....	30
28. BORROWING REPAYABLE WITHIN 12 MONTHS .....	30
29. CREDITORS .....	30
30. LONG TERM BORROWING.....	31
31. PROVISIONS .....	31
32. RESERVES: GENERAL RESERVE .....	31
33. COLLECTION FUND RESERVE .....	32

34.	OTHER EARMARKED RESERVES.....	32
35.	USABLE CAPITAL RECEIPTS RESERVES.....	32
36.	RESERVES: DEFERRED PREMIUMS AND CREDITS .....	33
37.	CAPITAL FINANCING ACCOUNT & DEFERRED GOVERNMENT GRANTS AND CONTRIBUTIONS .....	33
38.	FIXED ASSET RESTATEMENT ACCOUNT.....	34
39.	PENSION RESERVE.....	35
40.	STATEMENT OF NET ASSETS EMPLOYED UPDATE .....	35
41.	ANALYSIS OF TANGIBLE FIXED ASSETS.....	36
42.	SUMMARY OF CAPITAL EXPENDITURE AND SOURCES OF FINANCE .....	37
43.	CONTINGENT LIABILITIES .....	38
44.	CONTINGENT ASSETS .....	38
45.	POST BALANCE SHEET EVENTS .....	38
46.	CAPITAL COMMITMENTS .....	38
47.	LEASES.....	39
48.	ASSOCIATED COMPANY INTERESTS AND HOLDINGS .....	39
49.	MOVEMENT IN REVENUE AND PENSION RESERVES .....	40
50.	MOVEMENT IN CAPITAL RESERVES .....	41
51.	RECONCILIATION OF CONSOLIDATED REVENUE ACCOUNTS .....	42
52.	MOVEMENT IN CASH AND CASH EQUIVALENTS .....	42
53.	ANALYSIS OF REVENUE - OTHER GOVERNMENT GRANTS AND REIMBURSEMENTS .....	43
54.	ANALYSIS OF CAPITAL GRANTS .....	43
55.	ANALYSIS OF CHANGES IN NET DEBT.....	44
<b>ADDITIONAL FINANCIAL STATEMENTS.....</b>		<b>45</b>
<b>A. COLLECTION FUND.....</b>		<b>45</b>
1.	INCOME AND EXPENDITURE ACCOUNT .....	45
2.	INCOME FROM BUSINESS RATES.....	45
3.	INCOME DUE FROM COUNCIL TAX.....	46
4.	CALCULATION OF THE COUNCIL TAX BASE .....	46
5.	ORGANISATIONS WHICH MADE A PRECEPT OR DEMAND ON THE FUND .....	47
6.	COLLECTION FUND BALANCE .....	47
<b>B. TRUST AND SCHOLARSHIP ACCOUNTS .....</b>		<b>48</b>
1.	INCOME AND EXPENDITURE .....	48
2.	TRUSTS CONSOLIDATED BALANCE SHEET.....	49
<b>STATEMENT OF ACCOUNTING POLICIES .....</b>		<b>50</b>
1.	GENERAL.....	50
2.	INTANGIBLE FIXED ASSETS .....	51
3.	AMORTISATION OF INTANGIBLE FIXED ASSETS .....	51
4.	TANGIBLE FIXED ASSETS .....	51
5.	DEPRECIATION OF TANGIBLE FIXED ASSETS .....	51
6.	CAPITAL CHARGES .....	52
7.	CAPITAL RECEIPTS .....	52
8.	REPURCHASE OF BORROWING.....	52
9.	GOVERNMENT GRANTS .....	52
10.	DEFERRED CHARGES .....	52
11.	GROUP ACCOUNTS .....	52
12.	CONTINGENT LIABILITIES .....	52
13.	POST BALANCE SHEET EVENTS .....	52
14.	INTEREST.....	53
15.	VALUE ADDED TAX (VAT) .....	53
16.	INVESTMENTS .....	53
17.	LEASES.....	53
18.	DEBTORS.....	53
19.	CREDITORS .....	53
20.	PROVISIONS AND CONTINGENCIES .....	53
21.	STOCKS .....	54
22.	RESERVES .....	54
23.	REDEMPTION OF DEBT .....	54
24.	MINIMUM REVENUE PROVISION .....	54
25.	FOUNDATION SCHOOLS .....	54

26.	FRS17 - RETIREMENT SCHEMES .....	55
27.	OVERHEADS .....	55

<b>GLOSSARY OF TERMS .....</b>	<b>56</b>
--------------------------------	-----------

<b>AUDIT CERTIFICATE.....</b>	<b>63</b>
-------------------------------	-----------

## 1. INTRODUCTION TO THE STATEMENT OF ACCOUNTS

The section provides an introduction to the Statement of Accounts.

The Council's responsible financial officer has certified that the accounts present fairly the Council's financial position. This is required by the Accounts and Audit regulations 1996 and 2003, and is contained within the statement of responsibilities page 8.

The Statement of Accounts shows in financial terms, the performance of the council for the year ended 31 March 2005. 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 and wages, purchase of equipment, services and materials, and the heating and lighting of premises. The cost of these items is accounted for in the general fund. Walsall Council transferred all its housing stock on 27 March 2003, so no longer has a housing revenue account (HRA) which was closed for the last time as at 31 March 2004.

**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 the following separate accounts:

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

## **2. AN OVERVIEW OF THE COUNCIL'S FINANCIAL PERFORMANCE IN 2004/05**

### **1. GENERAL FUND**

The overall position on revenue expenditure for all of the council's services (including levies, PSEs and earmarked reserves) was £323.550 million, against a budget of £321.313 million, resulting in a planned overspend of £2.237 million. In setting the 2004/05 budget, on 1 March 2004 full Council approved the use of £4.009 million of general reserves to fund financial prudence and one off items of expenditure. The budgeted outturn for 2004/05 was therefore a planned overspend of £4.009 million to be funded from general reserves. The final outturn position for 2004/05 of £2.237 million therefore reflects a mix of this planned overspend, offset by service underspends in 2004/5, and therefore shows a net debit to reserves of £2.237 million. This is taken from general reserves brought forward of £6.739 million. In addition, a further £2.126 million former HRA reserves have been transferred to general reserves following closure of the HRA on 31 March 2004. This leaves a balance of £6.628 million at the end of the year. (Table A, page 15).

The 2004/05 outturn continues to provide a sound base for the medium term period commencing 2005/06.

### **2. COLLECTION FUND**

The collection fund shows an accumulated deficit of £0.789 million at 31 March 2005. £0.771 million of this deficit relates to Walsall Council and will be met from future years' surpluses from council tax. The remaining £0.018 million is due from the precepting authorities (the police, and fire and civil defence authorities). For more details see pages 45 to 47.

### **3. HOUSING REVENUE ACCOUNT**

The council received Secretary of State approval to close the HRA with effect from 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. HRA balances of £2.126 million transferred to the general fund on 1 April 2004. As a result we no longer have an HRA.

### **4. COUNCIL TAX**

For 2004/05, council tax increased by 2.9% over the previous year (including precepts) to £1,233.06 for a band D property. This was expected to raise £93.593 million in 2004/05. The collection rate for 2004/05 was 96.6% (96.8% in 2003/04) of the net debit.

### **5. GENERAL FUND RESERVES AND BALANCES**

This reserve is the result of accumulated underspends on services, specific items and direct contributions and is available to support expenditure generally. In setting the 2004/05 budget, on 1 March 2004 full Council approved £4.009 million to fund financial prudence and one off items of expenditure. The final outturn position for 2004/05 therefore shows a net debit to reserves of £2.237 million. This has been deducted from the opening reserves of £6.739 million and former HRA reserves of £2.126 million to leave a balance at 31 March 2005 of £6.628 million (table A, page 15). The 2005/06 budget uses £1.235 million of this to fund one-off prudent investment.

### **6. 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 £45.8 million on capital expenditure in 2004/05, compared with the programmed spend of £73.4 million. Resources totalling



£33.5 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 account and not in the council's asset register. In addition, £4.9 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.

## 7. INTANGIBLE FIXED ASSETS

From 1 April 2004 local authorities are required to split fixed assets into two categories: tangible and intangible. Tangible fixed assets are discussed in note 8. Intangible fixed assets are replacing deferred charges on the balance sheet and have been included at historic cost in accordance with FRS 10. Intangible fixed assets include software licences and premia incurred in early redemption of loans. The presentation highlights the value of the authority's intangible fixed assets which is currently £4.178 million (see explanatory note 20 page 27).

## 8. TANGIBLE FIXED ASSETS

Tangible fixed assets in the balance sheet have been included at net current replacement cost. This affects the council's 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 £42.305 million in 2004/05. This includes land and buildings for foundation schools. However, as can be seen from the consolidated revenue account on page 15, there is no overall impact on 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 £859.052 million (see explanatory note 21 page 28) and the cost of using these assets in the provision of services.

## 9. CAPITAL FUNDING

Supported and unsupported borrowing of £22.642 million (£16.98 million in 2003/04) was used from the prudential code. Explanatory note 42 on page 37 shows how this borrowing was used and how capital expenditure was financed.

## 10. SURPLUSES AND DEFICITS

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

TABLE 1 – SUMMARY OF SURPLUSES AND DEFICITS		
2003/04 £ 000 (SURPLUS)/ DEFICIT	ACCOUNT	2004/05 £ 000 (SURPLUS)/ DEFICIT
(3,376)	General fund. (see page 15)	2,237
304	Collection fund (see page 47)	571
804	Housing revenue account	n/a

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

## 11. PFI SCHEMES

The council currently has 2 Private Finance Initiatives (PFIs) in operation. A public lighting PFI has replaced most of the streetlights over a 3-year period and will 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 has built and operates 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 and Skills grant (DfES), a contribution from the Diocese and a special grant from central Government.

Resources attributable to both these PFIs are ring fenced and used only on the PFI. Associated transactions are not included in the council's balance sheet. This is because an evaluation, in accordance with FRS5, has established that sufficient risk for delivering the projects rests with the private partners concerned.

## **12. EDUCATION WALSALL**

The council continues to be a local education authority (LEA), but 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 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. All other councils are also experiencing this issue. Further details can be found in notes 18 and 19 (page 24 to page 25).

## **14. DEFERRED CHARGES**

From 1 April 2004 deferred charges are no longer shown on local authorities' accounts. If expenditure occurs that was previously classified as a deferred charge, it is now classified as either a tangible or intangible fixed asset. If this expenditure does not result in the acquisition of an asset by the authority then the spend is charged to revenue, with a corresponding release from the capital financing account to ensure there is no impact on council tax levels.

### 3. STATEMENT OF RESPONSIBILITIES

#### WALSALL COUNCIL'S RESPONSIBILITIES:

Under the Accounts and Audit Regulations 2003 the Audit Committee is required to approve the Statement of Accounts. The Chief Financial Officer (CFO) has a duty to make arrangements for the proper administration of the council's financial affairs, to ensure economic, efficient and effective use of its resources and to safeguard its assets.

#### 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 2005.

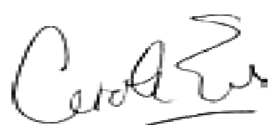
In preparing the statement, the Chief Financial Officer has:

- Adopted and consistently applied suitable accounting policies;
- Made reasonable and prudent judgements and estimates;
- Complied with legislative requirements and the Statement of Recommended Practice (SORP) 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 2005, and its income and expenditure for the year ended 31 March 2005.



.....  
CAROLE EVANS, CPFA  
Executive Director (Finance, Law and Performance)  
Chief Financial Officer.  
26 September 2005

## **4. STATEMENT ON SYSTEM OF INTERNAL CONTROL**

### **1. SCOPE OF RESPONSIBILITY**

This statement is given in respect of the 2004/05 statement of accounts for Walsall Council. The authority acknowledges its responsibility for ensuring that its business is conducted in accordance with the laws and proper standards, 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 Council 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 and partnerships.

The system of internal control has been in place at Walsall for the year ended 31 March 2005 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 the council objectives. These are included in the council's published overarching strategies and plans including; the community strategy; the corporate plan; best value performance plan; the Beacon Index; 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 SMT, EMT, cabinet and to relevant scrutiny and performance panels, audit committee, etc as required.

The council's commitment to continuous improvement is evidenced in our latest corporate performance assessment outcome (CPA), and CPA 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 established 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 delegation 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, incorporated into a corporate risk register and reported on a quarterly basis to senior management and EMT. This includes risk management action plans produced for each key strategic risk. Cabinet also receives reports on risk management.

Each directorate has identified directorate risks and work continues to ensure that the management action plans arising from these take proper account of the balance of risk and resources to ensure that appropriate and proportionate action is put in place. 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 level and appropriateness of general and other reserves. Each directorate has a risk champion and all 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.

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 corporate integrated planning and performance framework (CIPF) comprising financial, performance, risk, communication and political management processes. 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;
- 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 requires all projects to be managed using the same underlying principles;
- Continued use 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.
- Regular EMT and SMT performance boards which receive, consider and assess service plans, PI's, financial planning and project management processes.

Arrangements for the provision of internal audit are contained within the council's Constitution. The Executive Director (Finance, Law 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. The Constitution states that:

- 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, senior managers, school heads and chairs of governors as appropriate. Quarterly progress reports are submitted to the council's audit committee for review purposes.
- The Chief Internal Auditor's opinion is that Walsall Council's overall system of internal control facilitates the effective exercise of the authority's functions and provides a satisfactory level of assurance regarding the effective, efficient and economic exercise of the council's functions. Control weaknesses were identified during the year and arising from evidence provided to auditors in their major system review follow up visits, or managers formally stating that recommendations have been implemented, this has informed his opinion as to the level of assurance that can be placed on the system of internal control at the present time.
- The council continues to embed its corporate performance management framework which has built-in monitoring at all levels, from setting priorities to individual performance management in service delivery.

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 and 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 the implementation of agreed audit recommendations from audit work, and seeks to ensure agreed recommendations are actioned and managed within directorates.

#### 4. REVIEW OF EFFECTIVENESS

Walsall 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 senior 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 senior members receive regular monitoring reports on performance management, including progress against key objectives and targets and corrective action planning; the overall financial position; updates on performance in relation to management of key risks to the organisation; and receive regular reports via audit committee on the internal control mechanisms in place and their effectiveness. The Beacon Index has recently been modernised and reshaped.

Audit committee has a scrutiny role in terms of receiving reports on the effectiveness of the internal control systems through receipt and scrutiny of internal audit quarterly reports and a sample of completed audit reports are selected for further detailed review and scrutiny. In addition, internal audit has a 5 year strategic risk assessed plan which has been endorsed by EMT and 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 2005/6.

In addition, the council recognised the need to formalise its arrangements with a variety of 'partner' bodies where it is classed as the 'accountable body'. Accountability agreements have been developed for some of these to ensure all parties to each arrangement are clear about their respective responsibilities so that services can be planned and delivered in a cost effective way which continues to ensure good governance arrangements.

Other reviews of effectiveness occurring during 2004/5 which offer evidence of a sound system of internal control include the following;

A risk management audit was undertaken by Zurich Municipal, an independent risk management company, the outcomes of which were published in August 2004. The report concluded that "the council had made positive steps in implementing a recognised process of risk management across its activities", and "should be proud of its achievements so far in embedding strategic risk management throughout the council".

In addition, an internal audit on risk management gave a "good" opinion (the highest possible) and reported controls to be operating to a high standard.

The 2003/4 SIC recognised the need for continuing to review and develop internal control arrangements in areas of New Deal (ND), SRB and NRF and implement, as necessary, accountability agreement with partner bodies". An accountability agreement has been agreed with ND and an external audit report undertaken during 2004/5 reported that the council is carrying out its accountable body role effectively. Further the audit report stated that the council has an appropriate accountable body protocol in place.

Internal audit's review of performance management arrangements in 2003/4, as detailed within the corporate integrated planning framework, identified some need for improvement. The CPA in 2005 acknowledged significant progress in this area, increasing the score for performance management from 2 to 3.

The recent CPA for the Council scored Walsall as a "fair" authority. The "Use of Resources" element of the CPA, including for risk management and financial management and standing, scored a 4 overall, the highest possible.

In addition, the council was planning to replace key systems and recognised the need to ensure a robust project and risk management approach. The main financial systems have now been replaced, and an internal audit of the main accounting system undertaken in 2004/5 reported an adequate opinion. An external audit report focussing on the replacement of these main accounting systems (comprising the general ledger (LAFIS), debtors and creditors (both Radius)), was also undertaken and reported that:

- Although there were some minor differences, the transfer of standing data and balances from the former general ledger (LAFIS), and debtor and creditor systems (both Radius) to Oracle was subject to effective control.
- In terms of operational issues, this review has identified a number of areas where control is adequate.
- The audit report did report two specific areas of weakness, in terms of system resilience (available battery backup and lack of a formal disaster recovery plan) and i-procurement (in respect of ensuring the purchase order hierarchy is subject to review). These two areas are being progressed.

The above issues provide further assurance as to the effectiveness of the system on internal control.

## **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.

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, a risk management action plan has been produced and is being actively managed. Fortnightly meetings are held between the project team and internal and external auditors.

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 2004/05. The key challenges include:

- The council has replaced a number of key systems, including its payroll system using a phased approach. Internal audit has undertaken a number of audit reviews in these areas and has identified some internal control issues which require addressing. This situation is to be expected when major new systems are implemented and is typical of the experience of most organisations. Follow up audit reviews of these areas (accounts payable, accounts receivable and payroll and HR systems) have taken place. Progress has been good, with positive action taken by managers to implement recommendations. The outcomes of the follow up reviews have informed the Chief Internal Auditor's opinion on the system of internal control. Further review of the agreed recommendations will be undertaken by the Head of Corporate and Strategic Finance to ensure these are implemented within agreed timescales.
- Improving performance in respect of grant claims and reducing the number of qualifications to a minimum level. An action plan was drawn up in 2003/4 as this was considered an area of risk. While improvement has been made, and the council has developed a comprehensive grants' manual, which the audit commission has identified includes many areas of best practice, and provided training to a range of staff, a similar number of claims were qualified in 2004/5. These areas relate in particular to those where partnership arrangements exist. While the financial risk is not significant, an action plan has been agreed and individual meetings are being arranged with appropriate officers, to address these issues in 2005/6.



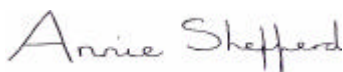
Arrangements are in place to robustly address these challenges, and the council has a track record in successfully tackling such challenges in a prompt and robust way.

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, Law and Performance)**  
**Chief Financial Officer**  
**26 September 2005**

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**  
**26 September 2005**

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**  
**26 September 2005**

# MAIN FINANCIAL STATEMENTS

## A. CONSOLIDATED REVENUE ACCOUNT

2003/04		2004/05		
Net Expenditure £ 000	Service	Gross Expenditure £ 000	Gross Income £ 000	Net Expenditure £ 000
2,412	Central services to the public	6,067	4,363	1,704
38,771	Cultural, environmental & planning services	79,274	36,699	42,575
176,656	Education services	236,334	51,448	184,886
10,685	Highways, roads & transport services	19,566	6,320	13,246
11,496	Housing services (general fund)	91,177	81,700	9,477
75,065	Social care	138,996	53,009	85,987
778	Court services	881	48	833
7,139	Corporate & democratic core	10,205	2,191	8,014
2,666	Non-distributed costs.	1,073	0	1,073
(1,406)	Exceptional items – WCOUNCIL property revaluations	0	0	0
<b>324,262</b>	<b>Net Cost of General Fund Services</b>	<b>583,573</b>	<b>235,778</b>	<b>347,795</b>
804	Housing – HRA			0
<b>325,066</b>	<b>Net Cost of Services</b>			<b>347,795</b>
	<b>Other Operating Costs:</b>			
900	▪ Environment Agency Levy			74
11,003	▪ West Midlands Transport Levy			11,381
(5,337)	▪ Interest and investment income			(725)
568	▪ (Surpluses) / Deficits on trading undertakings (See Note 2 )			1,699
8,559	▪ Pension interest costs & expected return on pensions assets			7,377
(16,864)	▪ Transfer from Asset Management Revenue Account (See Note 3)			(25,797)
<b>323,895</b>	<b>Net Operating Expenditure</b>			<b>341,804</b>
	<b>Appropriations to or from Reserves:</b>			
(15,452)	▪ Capital financing account (MRP adjustment)			(3,749)
(804)	▪ Housing revenue account			0
(77)	▪ Miscellaneous balances			(42)
7,718	▪ Other earmarked reserves			(5,081)
(8,536)	▪ Pension reserve			(8,386)
808	▪ Schools			3,275
110	▪ Community associations			628
(5,118)	▪ Deferred charges			(4,899)
<b>302,544</b>	<b>Amount to be met from Government Grants and Local Taxation</b>			<b>323,550</b>
	<b>This was financed by:</b>			
(500)	▪ Collection fund surplus			0
(82,086)	▪ Council tax			(84,530)
(74,172)	▪ Non-domestic rate income			(70,510)
(149,162)	▪ Revenue support grant			(166,273)
<b>(305,920)</b>				<b>(321,313)</b>
(3,376)	<b>(Surplus)/ Deficit for the year</b>			2,237
(3,363)	General reserve balances at start of the year			(8,865)
<b>(6,739)</b>	<b>Leaving year end general reserves of: (See Note 32)</b>			<b>(6,628)</b>

Supporting notes 1 to 19 on pages 19 to 27 provide additional detail to support the consolidated revenue statement. General reserve balances at the start of the year include an additional £2.126 million of HRA reserves following closure of this account at 1 April 2004.

## B. CONSOLIDATED BALANCE SHEET

This statement summarises the council's financial position as at 31 March 2005. 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 2004 £000	Consolidated Balance Sheet	31 March 2005 £000	Notes
	<b>LONG TERM ASSETS</b>		
5,005	Intangible fixed assets	4,178	20
871,626	Tangible fixed assets	859,052	21
8,546	Long term investments	17,546	22
13,419	Long term debtors	12,845	23
898,596		893,621	
	<b>CURRENT ASSETS</b>		
933	Stocks and work in progress	1,011	24
37,623	Debtors	53,415	25
57,967	Investments	46,587	26
2,587	Cash in hand	2,814	27
99,110		103,827	
	<b>CURRENT LIABILITIES</b>		
(8,261)	Cash overdrawn	(9,874)	27
(2,888)	Borrowing repayable on demand or within 12 months	(2,986)	28
(40,335)	Creditors	(50,112)	29
(51,484)		(62,972)	
<b>946,222</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>934,476</b>	<b>934,476</b>
	<b>LONG TERM LIABILITIES</b>		
(185,947)	Long term borrowing	(199,498)	30
(7,106)	Provisions	(8,494)	31
(153,931)	Liability related to defined benefit pension scheme	(236,676)	39
		(445,837)	
<b>599,238</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>489,808</b>	<b>489,808</b>
	<b>RESERVES</b>		
(6,739)	General Fund reserve	(6,628)	32
(2,126)	Housing Revenue Account reserve	0	
218	Collection Fund reserve	789	33
(21,828)	Other earmarked reserves	(21,088)	34
		(26,852)	
	<b>CAPITAL ACCOUNTING BALANCES</b>		
(23,102)	Usable capital receipts reserve	(27,992)	35
(11,152)	Deferred premiums & credits	(10,165)	36
(314,860)	Capital financing account	(317,647)	37
(20,534)	Deferred government grants and contributions	(22,064)	37
(353,046)	Fixed asset restatement account	(320,594)	38
		(698,462)	
153,931	<b>PENSIONS RESERVE</b>	236,676	236,676
(599,238)	<b>TOTAL RESERVES AND BALANCES</b>	(489,808)	(489,808)

Notes 19 to 48 on pages 25 to 39 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.

2003/04 £'000	Statement of Total Movements in Reserves	2004/05 £'000	
3,376	General Fund surplus / (deficit) ( <b>See note 32</b> )	(111)	
(804)	Housing Revenue Account surplus / (deficit)	(2,126)	
6,377	Add back movements on earmarked revenue reserves	(1,384)	
(21,851)	Deduct appropriation from pension reserves	(21,797)	
36,202	Actuarial gains and losses relating to pensions ( <b>See note 39</b> )	(74,360)	
<b>23,300</b>	<b>TOTAL INCREASE / (DECREASE) IN REVENUE RESOURCES (<b>See Notes 32-34 and 39</b>)</b>		(99,778)
(1,050)	Increase / (decrease) in useable capital receipts	541	
3,005	Increase / (decrease) in unapplied capital grants and contributions	4,348	
(1,425)	Deferred Credits	(987)	
<b>530</b>	<b>TOTAL INCREASE / (DECREASE) IN REALISED CAPITAL RESOURCES. (<b>See Notes 35 &amp; 36</b>)</b>		3,902
327,996	Gains/(losses) on revaluation of fixed assets	(31,460)	
-	Impairment losses on fixed assets due to general changes in prices	-	
-	Gains/(losses) on market value of investments	-	
<b>327,996</b>	<b>TOTAL UNREALISED INCREASE / (DECREASE) IN VALUE OF FIXED ASSETS. (<b>See Note 38</b>)</b>		(31,460)
<b>(17,315)</b>	<b>VALUE OF ASSETS SOLD, DECOMMISSIONED OR REALISED. (<b>See Note 38</b>)</b>	(992)	(992)
388	Capital receipts set aside	276	
108,457	Revenue resources set aside	2,511	
(1,907)	Movement on government grants deferred	1,530	
<b>106,938</b>	<b>TOTAL INCREASE / (DECREASE) IN AMOUNTS SET ASIDE TO FINANCE CAPITAL INVESTMENT (<b>See Note 37</b>)</b>		4,317
<b>13,315</b>	<b>INCREASE /(DECREASE) ON THE PENSIONS RESERVE (<b>See Note 39</b>)</b>	13,411	13,411
<b>454,764</b>	<b>TOTAL RECOGNISED GAINS AND LOSSES</b>	(111,600)	(111,600)

See pages 40 to 41 for further details of revenue and pensions reserve movements (Note 49) and capital reserve movements (Note 50).

## D. THE COUNCIL'S CASHFLOW STATEMENT

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

2003/04 £'000	Cash Flow Statement	2004/05 £'000	2004/05 £'000
	<b>REVENUE ACTIVITIES</b>		
	<b>Cash Outflows</b>		
218,543	Cash paid to employees	241,275	
223,831	Other operating costs	222,306	
59,589	NNDR payments to national pool	59,447	
53,600	Housing benefit paid	54,459	
19,197	Precepts	21,595	
574,760			599,082
	<b>Cash Inflows</b>		
(1,041)	Rent	(1,891)	
(71,046)	Council tax/community charge	(73,056)	
	Precept income		
(74,172)	NNDR from pool	(73,384)	
(58,950)	NNDR collected	(59,465)	
(149,162)	Revenue support grant	(166,273)	
(68,983)	DSS grants for benefits	(80,110)	
(83,229)	Other government grants	(103,858)	
(62,008)	Operating cash receipts & income	(54,770)	
(568,591)			(612,807)
<b>(6,169)</b>	<b>Revenue Activities Net Cashflow</b>		<b>(13,725)</b>
	<b>Servicing of finance</b>		
6,708	Interest paid	9,114	
0	Interest element of finance lease rentals	0	
(2,211)	Interest received	(3,016)	
4,497			6,098
	<b>Capital activities</b>		
0	Purchase of fixed assets	0	
0	Purchase of long term investments	9,000	
46,506	VAT shelter scheme	0	
29,783	Other capital cash payments	46,989	
			55,989
(10,812)	Sale of fixed assets	(3,424)	
0	Major repairs allowance	0	
(17,563)	Capital grants	(17,053)	
(46,506)	VAT shelter scheme	0	
(557)	Other capital cash receipts	(1,470)	
(75,438)			(21,947)
<b>(11,517)</b>	<b>Net cash outflow/(inflow) before financing</b>		<b>26,415</b>
	<b>Financing</b>		
71,395	Repayments of amounts borrowed	83,820	
(59,022)	New loans raised	(97,469)	(13,649)
<b>23,890</b>	<b>Net change in cash and equivalents</b>		<b>12,766</b>

Supporting notes 51 to 55 on pages 42 to 44 provide additional detail to support the council's cashflow statement.

## NOTES TO THE MAIN FINANCIAL STATEMENTS

### 1. AUDIT COSTS

In 2004/05 Walsall Council incurred fees for external audit and inspection of £0.545 million (£0.505 million in 2003/04), of which £0.153 million related to grant claims (£0.138 million in 2003/04) and £0.392 million related to core and other work (£0.367 million in 2003/04).

### 2. TRADING ACCOUNT SUMMARY

The individual performance of each of the trading accounts included within the consolidated revenue account is as follows:

2003/04	Trading Account Summary	2004/05		
(Surplus)/ Deficit £ 000		Income	Expenditure	(Surplus) / Deficit £ 000
		£ 000	£ 000	£ 000
196	Internal support services	(4,539)	4,933	394
(338)	Markets	(1,148)	852	(296)
177	Cleaning & Caretaking	(2,791)	3,174	383
533	Catering	(4,982)	6,200	1,218
<b>568</b>	<b>Total</b>	<b>(13,460)</b>	<b>15,159</b>	<b>1,699</b>

### 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 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					
	2003/04 £'000	2004/05 £'000		2003/04 £'000	2004/05 £'000
Provision for depreciation	20,584	20,725	Capital charges to services	43,202	42,478
External interest paid	6,343	8,214	Release of Government grant	586	11,789
Amortisation of intangible assets	0	9			
Capital asset charges accounting adjustment	174	0	Discounts on premature debt	246	1,387
Premiums premature debt	69	909			
Balance to consolidated revenue account	16,864	25,797			
	<b>44,034</b>	<b>55,654</b>		<b>44,034</b>	<b>55,654</b>

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

The Local Government Act 1972 allows councils to incur expenditure in areas not specifically covered by other powers. The amount of expenditure permissible for 2004/05

is £0.504 million. Financial and legal support to charitable organisations during the year amounted to £0.504 million (£0.555 million in 2003/04).

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

£2.024 million was incurred on publicity in 2004/05 (£1.951 million in 2003/04) of which £1.10 million was on staff advertising (£1.17 million in 2003/04).

## 6. MARKETS UNDERTAKING

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

2003/04 £'000	Markets Undertaking	2004/05 £'000
(969)	Income from stallholders	(1,148)
631	Less expenditure	852
(338)	(Surplus)/ Deficit taken to general fund	(296)

## 7. AGENCY SERVICES

The authority acts as agent for South Staffordshire Water, receiving payments for water rates on their behalf for which commission totalling £0.002 million was received (£0.002 million in 2003/04).

## 8. MINIMUM REVENUE PROVISION

In accordance with statutory requirements of the Local Government Act 2003 to provide a minimum revenue provision for the redemption of debt, a net amount of £4.794 million (£3.610 million in 2003/04) 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.

2003/04 £'000		2004/05 £' 000
6,380	MRP – non housing 4%	6,853
(2,770)	LESS: commutation adjustment	(2,059)
3,610	TOTAL	4,794

Under the Prudential Code for Capital Finance, local authorities may make additional voluntary contributions where it is considered prudent to do so. In 2004/05 Walsall charged an additional £0.403 million relating to unsupported borrowing schemes.

## 9. OFFICERS' EMOLUMENTS

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

2003/04	Remuneration Band - £	2004/05
44	50,000-59,999	62
16	60,000-69,999	27
5	70,000-79,999	13
6	80,000-89,999	1
1	90,000-99,999	1
0	100,000-109,999	1
0	110,000-119,999	3
1	140,000-149,999	0
0	160,000-169,999	1
0	210,000 – 219,999	1
73	Total	110

## 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:

2003/04 £'000	Local Authority (Goods & Services) Act 1970	2004/05 £'000
96	Beechdale Community Housing Association	17
9	Starting Point	20
7	Black Country Connexions	9
526	Serco/Foundation Schools	516
1	Black Country Supply Service	1
731	Walsall Housing Group	526
100	Walsall Alliance of Tenant Management Organisations	96
1,470	TOTAL	1,185

## 11. MEMBERS' ALLOWANCES

The allowances paid to elected members of the council were:

2003/04 £'000	Type of Allowance	2004/05 £'000
582	Basic allowances	584
168	Special responsibility allowances	161
750	TOTAL	745

## 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. Details by project are shown in the table below.

2003/04 £'000	PFI Project	2004/05 £'000
25	Street lighting	23
178	Integrated transport project	100
9	Willenhall schools	0
0	St. Thomas More school	0
212	Total	123

In addition to the above, the council has paid £14,132 to Birmingham City Council through a joint arrangement to progress a PFI for the replacement/rationalisation of magistrates' 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

The bids for the Integrated Transport Project (ITP) PFI project were received in January 2004 and subsequently evaluated by the council. The position was reported to cabinet in April 2004 following which a formal submission was made to the Department for Transport (DFT). Since then we have supplied answers to specific queries and still await a DFT decision.

### St. Thomas More

This PFI reached contractual close in 2001/02 and as a result a new secondary school has been built in Willenhall. The contractor will operate the school for a total 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
<b>Total</b>	<b>52,170</b>

#### Public Lighting

The council, together with partner Amey Highways, has completed 3 years of a 25-year Public Lighting PFI contract for the replacement/maintenance of the council's lighting stock. The contractor completed the core investment by September 2004. The objective to light the borough in a uniform manner to British and European standards has 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	1,712
Years 2 to 5 of the agreement	12,910
Years 6 to 10 of the agreement	20,440
Years 11 to 15 of the agreement	22,869
Years 16 to 20 of the agreement	25,594
Years 21 to 25 of the agreement	28,664
<b>Total</b>	<b>112,189</b>

The council continues to consider 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**

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 15. Details of other grants received are analysed as part of the cash flow statement (notes 53 & 54, page 43).

**Local Authorities** - Please refer to note 10, page 21 of the consolidated revenue account.

**Other Public Bodies** - Precepts are levied on the council by the West Midlands Police and the West Midlands Fire & Civil Defence authorities, for which details can be found as note 5 to the Collection Fund (page 48). In addition to the precepts, the council has made other payments to the Police Authority totalling £0.447 million and received income from them totalling £0.001 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 additional payments totalling £0.011 million and received no additional income from them.

Grants have been made to Walsall teaching Primary Care Trust (tPCT) of £0.466 million through the Neighbourhood Renewal Fund.

**Associated Companies** - Please refer to Note 48 page 39.

**Joint Venture Partners** - Please refer to note 17, Page 24

**Pension Fund** - Details of pension costs can be found in notes 18 and 19, pages 24 to 27.

**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 £0.352 million paid by the council and income of £5.024 million received by the council. Within these transactions is income of £3.333 million from Walsall Housing Group and £1.076 million from Steps to Work. Details of allowances paid to members are shown in note 11 on page 21.

**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.

**Council Officers** – The council has made payments to organisations in which officers have an interest, of £1.373 million and receipts of £0.037 million.

**Other Organisations** - The council has made grants to voluntary organisations amounting to £8.161 million. Whilst some 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 to grants to voluntary organisations, grants totalling £3.363 million have also been made to SERCO through the Neighbourhood Renewal Fund.

## **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 is not expected to take place until the five economic tests that the Government has set are met. However, the council established a working group that 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 overleaf shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

2003/04	Building Regulations Charging Account	2004/05		
Total £'000		Chargeable £'000	Non-Chargeable £'000	Total £'000
	<b>Expenditure</b>			
408	Employee expenses	318	89	407
22	Transport	17	4	21
135	Supplies & services	46	42	88
229	Central & support service charges	163	45	208
794	<b>TOTAL EXPENDITURE</b>	544	180	724
	<b>Income</b>			
(538)	Building regulation charges	(478)	0	(478)
(109)	Miscellaneous income	(92)	(9)	(101)
<b>(647)</b>	<b>TOTAL INCOME</b>	<b>(570)</b>	<b>(9)</b>	<b>(579)</b>
<b>147</b>	<b>(Surplus)/ Deficit for Year</b>	<b>(26)</b>	<b>171</b>	<b>145</b>

This account must break even over each three-year period. The net position over the three years 2002/03 to 2004/05 was a small surplus of £0.173 million, to be invested in the service in the form of additional staff.

## 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 tPCT, 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:

2003/04 £'000	Pooled Fund Memorandum Account		2004/05	
Total		£'000 Cash	£'000 Grant	£'000 Total
	<b>Gross Funding:</b>			
(9,881)	Walsall tPCT	(11,217)	(102)	(11,319)
(9,150)	Walsall Council	(10,805)	(684)	(11,489)
(19,031)		(22,022)	(786)	(22,808)
	<b>Expenditure:</b>			
1,060	Integrated Team	1,248	148	1,396
3,811	Community Support	5,361	38	5,399
1,894	Day Care	2,528	41	2,569
8,815	Residential & Nursing	9,001	559	9,560
692	Supported Employment	918	0	918
1,780	Psychiatric & Medical	1,833	0	1,833
780	Management & Administration	1,043	0	1,043
18,832		21,932	786	22,718
(199)	<b>Net (Under)/Over spend</b>	(90)	0	(90)

No apportionment is made for creditors between Walsall Council and the tPCT. Only creditors incurred by Walsall Council are shown in our balance sheet.

## 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 2004/05 the council paid £10.96 million (£10.55 million in 2003/04) to the Pensions Agency in respect of teachers' pensions costs which represents 13.5% (13.5% in 2003/04) 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. Therefore for the purposes of this Statement of Accounts it is 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.

The authority also is liable to pay the costs of additional benefits awarded as part of the 1974 reorganisation of local government. In 2004/05 the council paid £18,668 (£48,655 in 2003/04) to Staffordshire County Council for these costs. The anticipated future liability for these benefits is approximately £75,000.

## **19. FRS17 – RETIREMENT BENEFITS**

As part of the terms and conditions of employment of its officers and other employees, Walsall Council 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 Council participates in the West Midlands Authorities Pension Fund, which is administered by Wolverhampton Council. 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 fund's liabilities with investment assets.

In addition to this scheme Walsall Council 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 recognises 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	2004/05 £'000		2003/04 £'000	2004/05 £'000
(10,579)	(13,736)	<b>Net Cost of Services</b>		
(335)	(684)	Current service costs	0	0
(699)	0	Past service costs	(79)	0
(1,600)	0	Curtailment costs	0	0
		Settlement gain	0	0
		<b>Net Operating Expenditure</b>		
(25,554)	(28,177)	Interest cost	(776)	(784)
17,771	21,584	Expected return on assets in the scheme		
		<b>Amounts to be met from Government Grants and Local Taxation</b>		
8,770	8,681	Appropriations to/from pensions reserve	(234)	(295)
		<b>Actual amount charged against council tax for pensions in the year</b>		
(12,226)	(12,332)	Employers' contributions payable to scheme	0	0
0	0	Retirement benefits payable to pensioners	(1,089)	(1,079)

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2005 are as follows:

	West Midlands Authorities Pension Fund As at 31 March 2005		Unfunded Teachers Pension Costs As at 31 March 2005		Total As at 31 March 2005	
	2003/04 £'000	2004/05 £'000	2003/04 £'000	2004/05 £'000	2003/04 £'000	2004/05 £'000
Estimated liabilities in scheme	(450,768)	(560,198)	(13,248)	(14,274)	(464,016)	(574,472)
Estimated assets in scheme	310,085	337,796	0	0	310,085	337,796
<b>Net asset/(liability)</b>	<b>(140,683)</b>	<b>(222,402)</b>	<b>(13,248)</b>	<b>(14,274)</b>	<b>(153,931)</b>	<b>(236,676)</b>

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 2004.

The following actuarial assumptions have been made:

	<b>West Midlands Authorities Pension Fund</b>		<b>Unfunded Teachers Pensions</b>	
	<b>2003/04</b>	<b>2004/05</b>	<b>2003/04</b>	<b>2004/05</b>
<b>Financial assumptions</b>				
Rate of inflation	2.80%	2.90%	2.80%	2.90%
Rate of increase in salaries	4.30%	4.65%		
Rate of increase in pensions	2.80%	2.90%	2.80%	2.90%
Discount rate	6.30%	5.40%	6.30%	5.40%

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.

The assets in the West Midlands Authorities Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the fund:

	<b>West Midlands Authorities Pension Fund</b>			
	<b>2003/04</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2004/05</b>
	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>
<b>Expected rate of return on assets</b>				
- Equities	7.50%		7.50%	
- Government bonds	4.70%		4.70%	
- Other bonds	5.50%		5.40%	
- Property	6.50%		6.50%	
- Other	4.00%		4.75%	
<b>Split between investment categories</b>				
- Equities	76.50%	237,215	75.30%	254,023
- Government bonds	9.70%	30,078	9.40%	31,753
- Other bonds	4.10%	12,713	4.50%	15,201
- Property	7.30%	22,636	7.20%	24,321
- Other	2.40%	7,443	3.60%	12,498
<b>Total</b>	<b>100%</b>	<b>310,085</b>	<b>100%</b>	<b>337,796</b>

## 20. INTANGIBLE FIXED ASSETS

Intangible fixed assets are those fixed assets that do not have a physical substance but are identifiable and controlled by the council e.g. software licenses, premia incurred in early redemption of debt.

<b>2003/04</b> <b>£'000</b>	<b>Intangible Fixed Assets</b>	<b>2004/05</b> <b>£'000</b>
6,002	Balance brought forward	5,005
0	Premature debt redemption:	
	Premiums paid	0
(996)	Discharged to revenue - premiums	(909)
(1)	Discharged to revenue - brokerage	0
0	Addition of intangible assets	91
0	Amortisation of intangible assets	(9)
5,197	Deferred Charges	4,899
(5,197)	Deferred Charges - write-off	(4,899)
5,005	<b>TOTAL</b>	<b>4,178</b>

## 21. TANGIBLE FIXED ASSETS

Movements in tangible fixed assets during the year were as follows:

Tangible Fixed Assets	Infra-structure £'000s	Other Land and Bldgs £'000s	Vehicles, Plant and Eqpt £'000s	Comm-unity Assets £'000s	Non-oper-ational Assets £'000s	Other Capital Outlay £'000s	Total £'000s
Gross book value as at 31 March 2004	84,717	780,938	1,206	0	25,348	0	892,209
Depreciation as at 31 March 2004	(3,995)	(16,107)	(361)		(121)		(20,583)
Net book value as at 31 March 2004	80,723	764,831	845	0	25,227	0	871,626
Revaluations & restatements	0	276	0	0	(276)	0	0
Expenditure for capital purposes	8,428	19,937	3,273	743	4,897	8,466	45,744
Non-added value	(8,428)	(18,445)	(1,463)	(743)	(47)	(3,567)	(32,693)
Additions	0	0	0	0	991	0	991
Disposals	0	(992)	0	0	0	0	(992)
Deferred charges & other adjustments	0	0	0	0	0	(4,899)	(4,899)
Gross book value as at 31 March 2005	80,723	765,607	2,655	0	30,792	0	879,777
Depreciation for year	(3,995)	(16,072)	(550)	0	(108)	0	(20,725)
Net book value as at 31 March 2005	76,728	749,535	2,105	0	30,684	0	859,052

The service breakdown of capital expenditure and the financing of capital expenditure is shown in note 42, page 37.

## 22. LONG TERM INVESTMENTS

These are investments that have a life of longer than 365 days. They consist of investments taken on the money markets and share holdings.

2003/04 £'000	Long Term Investments	2004/05 £'000
0	The investments consist of: <b>Long Term:</b> Investments – Other financial institutions and public bodies	9,000
5,174	Birmingham Airport Holdings Ltd:	5,174
1,531	- Ordinary share	1,531
1,841	- Preference shares	1,841
	- Loan stock	1,841
8,546	<b>TOTAL</b>	17,546

## 23. LONG TERM DEBTORS

This represents the amounts owing to the council which are being repaid over various periods longer than one year.

2003/04 £'000	Long Term Debtors	2004/05 £'000
543	Other local authorities	519
1,951	Probation	1,873
426	Wolverhampton University Walsall campus	385
9,459	Waste disposal co-ordination	9,327
945	Mortgages	689
94	Other long term loans - employee car loans	52
13,418	<b>TOTAL</b>	12,845

## 24. STOCKS AND WORK-IN-PROGRESS

The table shows the value of the stock held by the authority to assist in the delivery of its services.

2003/04 £'000	Stocks and Work in Progress	2004/05 £'000
0	<b>Work-in-Progress:</b>	0
	<b>Stocks:</b>	
9	Disinfestation Stores	10
139	Reprographics	133
4	Small Tools and Plant	4
47	Stationary	36
448	Trading Operations	457
275	Miscellaneous	356
11	Foundation schools	15
933	<b>TOTAL</b>	1,011

## 25. DEBTORS

The table shows the amounts owed to the council for which payments have not been received by 31 March 2005, but which should be repaid within one year.

2003/04 £'000	Debtors	2004/05 £'000
14,662	Government departments	23,961
958	Other local authorities	1,592
5,688	Council tax	6,035
2,409	National non-domestic rates	2,477
5	Community charge/poll tax	5
541	Housing rents	538
20,861	Other	25,704
45,124		60,312
(7,501)	Provision for bad debts	(6,897)
37,623	<b>TOTAL</b>	53,415

Included within the Government departments' figure are £6.2 million of capital grants that were received early in 2005/06. The council makes provision for outstanding debt which it anticipates will not be recovered. This year bad and doubtful debts are to be covered by a sum of £6.897 million, of this £3.840 million relates to council tax, £0.005 million relates to community charge/poll tax and £0.451 million relates to national non-domestic rates. A balance of £2.601 Million is to cover other areas of risk in respect of debt recovery.



## 26. SHORT TERM INVESTMENTS

The council invests cash balances which are temporarily surplus to requirements for short periods, at market rates of interest. A list of approved organisations for investment purposes has been approved as part of the Treasury Policy Statement.

2003/04 £'000	Short Term Investments	2004/05 £'000
57,967	Other financial institutions and public bodies	46,587
57,967	<b>TOTAL</b>	46,587

## 27. CASH IN HAND AND OVERDRAWN

2003/04 £'000	Cash in hand and Overdrawn	2004/05 £'000
2,587	Cash In hand	2,814
(8,261)	Cash Overdrawn	(9,874)
(5,674)	<b>TOTAL</b>	(7,060)

See cash flow statement and notes 51-55 on pages 42 to 44 for further details.

## 28. BORROWING REPAYABLE WITHIN 12 MONTHS

2003/04 £'000	Borrowing within 12 Months	2004/05 £'000
300	Balance brought forward	2,888
0	Long term loans repaid in year	(2,563)
2,563	Long term loans maturing in next year	2,580
23,986	Temporary borrowing raised in the year	37,473
(23,961)	Temporary borrowing repaid in the year	(37,392)
<b>2,888</b>	<b>TOTAL</b>	<b>2,986</b>

## 29. CREDITORS

The following table identifies the council's major creditors (payable within 12 months)

2003/04 £'000	Creditors	2004/05 £'000
11,505	Government departments	16,316
81	Other local authorities	160
1,554	Council tax	1,334
1,641	National non-domestic rates	524
3	Community charge/poll tax	3
25,551	Other	31,775
<b>40,335</b>	<b>TOTAL</b>	<b>50,112</b>

### 30. LONG TERM BORROWING

The authority's total outstanding debt repayable over 12 months as at 31 March 2005 is £179.498 million. The following table analyses the debt by lender maturity.

2003/04 £'000	Long Term Borrowing	Average interest rate payable (%)	2004/05 £'000
78,861	PWLB: Fixed interest	5.10	69,282
26,079	Variable interest		0
525	Individuals	4.86	190
50,000	Other financial institutions	4.00	100,000
30,482	Other local authorities	8.28	30,026
185,947	<b>TOTAL</b>		199,498
<b>£'000</b>	An analysis of loans by maturity:		
2,656	• 1 - 2 years		45,045
30,346	• 2 - 5 years		55,091
26,153	• 5 - 10 years		50
126,792	• more than 10 years		99,312
185,947	<b>TOTAL</b>		199,498

### 31. PROVISIONS

2003/04 £'000	Provisions	2004/05 £'000
142	Government grant	2,023
2,699	Insurance fund	2,459
4,265	Other	4,012
7,106	<b>TOTAL</b>	8,494

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 £4.213 million. However, based on claims settlement profiles, projected settlements are estimated at £2.354 million. A provision of £2.459 million is held to cover the difference. In addition there are miscellaneous provisions totalling £4.012 million (£4.265 million 2003/04) and £2.023 million in respect of Government grants (£0.142 million 2003/04).

### 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.

<b>2003/04 £'000</b>	<b>General Reserve</b>	<b>2004/05 £'000</b>
3,363	Balance brought forward	6,739
3,376	Transfer to general fund (see consolidated revenue account page 14)	(2,238)
6,739		4,501
0	Other transfers – former HRA reserves	2,126
6,739	<b>TOTAL</b>	<b>6,627</b>

### **33. COLLECTION FUND RESERVE**

See additional statements section A Note 6, page 47 for further details.

### **34. OTHER EARMARKED RESERVES**

<b>2003/04 £'000</b>	<b>Other Earmarked Reserves</b>	<b>2004/05 £'000</b>
0	Nursery schools (net)	289
4,034	Primary schools (net)	6,022
752	Secondary schools (net)	1,541
302	Special schools (net)	490
1,642	Foundation schools	1,095
497	College of continuing education	519
256	Community associations	884
14,345	Other Council earmarked reserves	10,248
21,828	<b>TOTAL</b>	<b>21,088</b>

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 2005 the balances held amounted to £0.810 million (£0.959 million in 2003/04).

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 activities for young people and a carry-forward scheme in respect of specific service over and underspends. These will be used in future years on targeted objectives aimed at improving service delivery.

### **35. USABLE CAPITAL RECEIPTS RESERVES**

The balance in this account represents the total proportion of capital receipts, grants and contributions available to finance capital expenditure in future years, after setting aside statutory amounts for the repayment of debt.

Capital Receipts		Useable Capital Receipts Reserves	Capital Grants	
2003/04 £'000	2004/05 £'000		2003/04 £'000	2004/05 £'000
17,778	16,727	Balance brought forward	3,370	6,375
0	0	Other external funding	283	813
6,068	3,424	Capital receipts received during the year	17,280	17,053
(6,731)	(2,607)	Applied against schemes	(14,558)	(13,518)
(388)	(276)	Set Aside: capital receipts used	0	0
16,727	17,268	<b>TOTAL</b>	6,375	10,724

### 36. RESERVES: DEFERRED PREMIUMS AND CREDITS

2003/04 £'000	Deferred Premiums And Credits	2004/05 £'000
8,504	Balance brought forward	7,326
0	Discount received	227
0	Transfer to deferred charges - premiums	0
0	Brokerage paid	0
(1,178)	Discharged to revenue - discounts	(1,387)
<b>7,326</b>		<b>6,166</b>
0	Deferred LOBO Interest	357
3,826	Deferred Capital Receipts	3,642
<b>11,152</b>	<b>TOTAL</b>	<b>10,165</b>

### 37. CAPITAL FINANCING ACCOUNT & DEFERRED GOVERNMENT GRANTS AND CONTRIBUTIONS

The capital financing account 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.

2003/04		Capital Financing Account & Deferred Government Grants And Contributions	2004/05	
Capital Financing Account £'000	Deferred Government Grants and Contributions £'000		Capital Financing Account £'000	Grants and Deferred Government Contributions £'000
206,015	22,441	Balance brought forward 1 April 2004	314,860	20,534
388	-	Capital receipts set aside in 2004/05	276	-
		<b><u>Revenue resources set aside in 2004/05</u></b>		
6,731	-	Capital receipts financing capital expenditure	2,607	-
462	-	Private sector contributions	-	-
84	-	Direct revenue funding of capital	32	-
15,362	-	Grants applied directly to capital investment in 2003/04	-	-
106,357	-	Provision for repayment of external loans	255	-
(15,421)	-	Appropriations	4,515	-
(5,118)	-	Write off of deferred charges	(4,899)	-
108,457	-		2,510	-
		<b><u>Movement on Government Grants</u></b>		
		<b><u>Deferred</u></b>		
-	14,503	Grants received in year	-	13,318
-	(15,824)	Grants applied to capital investment in 2004/05	-	-
-	(586)	Amounts credited to AMRA in 2004/05	-	(11,788)
-	(1,907)		-	1,530
108,845	(1,907)	Total Movement on Reserve 2004/05	2,787	1,530
314,860	20,534	Balance carried forward 31st March 2005	317,647	22,064

### 38. FIXED ASSET RESTATEMENT ACCOUNT

The system of capital accounting introduced in 1994/95 required the establishment of the fixed asset restatement account. 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.

2003/04 £'000	Fixed Asset Restatement Account	2004/05 £'000
42,365	Balance b/fwd	353,046
327,996	Revaluation & restatement of fixed assets	991
(17,315)	Disposal of fixed assets	(992)
0	Adjustment for non-owned assets	4,899
0	Non-added value	(37,350)
310,681	Total movement in year	(32,452)
353,046	<b>TOTAL</b>	320,594

### 39. PENSION RESERVE

2003/04 £'000	Pension Reserve Movements	2004/05 £'000
181,597	Balance b/f	153,931
(13,315)	Payment to Pension Fund	(13,411)
21,851	Appropriation to Pension Reserve	21,796
(36,202)	Difference between actual and expected return on assets	74,360
<b>153,931</b>	<b>Balance c/f</b>	<b>236,676</b>

The actuarial gains identified as movements on the pensions reserve in 2004/05 can be analysed into the following categories measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2005:

Net Actuarial Gain/(Loss)	West Midlands Authorities Pension Fund		Unfunded Teachers Pensions	
	£'000's	%	£'000's	%
Difference between actual and expected return on assets	13,688	4.1% of assets	0	
Effect of difference between actuarial assumptions on liabilities and actual experience	6,942	1.2% of liabilities	11	0.1% of liabilities
Effect of changes in actuarial assumptions	(93,668)	16.7% of liabilities	(1,333)	9.3% of liabilities
<b>Net Actuarial Gain/(Loss)</b>	<b>(73,038)</b>	<b>13% of liabilities</b>	<b>(1,322)</b>	<b>9.3% of liabilities</b>
Comparative Totals for 2003/04	36,202	8% of assets	0	0

### 40. STATEMENT OF NET ASSETS EMPLOYED UPDATE

2003/04 £'000	Statement of Net Assets Employed	2004/05 £'000
741,647	General fund	614,324
3,849	Housing revenue account	0
110,450	Foundation schools	110,491
<b>855,946</b>	<b>TOTAL</b>	<b>724,815</b>

## 41. ANALYSIS OF TANGIBLE FIXED ASSETS

Walsall Metropolitan Borough Council owned the following assets as at 31 March 2005.

Asset	31 March 2005	Asset	31 March 2005
<b>Infrastructure</b>		<b>Other Land And Buildings: Continued</b>	
Hectares of derelict land	10.84	Waste disposal - transfer station	1
Hectares of public open space	1,365.33	- disposal sites	2
Kilometres of road	855.4	Other administrative buildings	24
Off-street car parks	49	Depots	8
Parking spaces	3,661	Training centres	1
Allotments	36	Cemetery lodges	6
		Social services offices	8
		Elderly day care centres	3
<b>Other Land and Buildings:</b>		Adult training centres	4
Nursery schools	17	Family centres	3
Primary schools	99	Physically disabled day care centres	1
Secondary schools	19	Tenanted farms	10
Special schools	7	Public conveniences	14
School houses	74	<b>Vehicles Plant and Equipment:</b>	
Neighbourhood offices	19	The council owns or leases vehicles, including:	
Sports centres	3	Vans	81
Youth clubs	12	Cesspit emptiers	3
Community centres	26	Tipper trucks	47
Town halls	2	Minibuses and crewbuses	32
Civic centre	1	4x4 vehicles	5
Parks' lodges	11	Saloons/estate cars	6
Residential centres for children	5	Sweepers	13
Residential centres for elderly people	9	Welfare vehicles	47
Residential centres for rehabilitation	1	Gritters	11
Community meeting halls	1	JCBs	6
Swimming pools	5	Refuse collection vehicles	36
Crematorium	1	Trailers	4
Function halls	3	Mobile libraries	4
Theatres	2	Mayoral car	2
Libraries	20	Playbuses	2
Museums/art galleries (including leather centre)	5	Tractors	3
Court buildings *	2	Dry recycling vehicles	11
Challenge building	1	<b>Community Assets</b>	
Homes for people with mental or physical disabilities	6	Cemeteries	8
Community rooms	3		

\*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.

## 42. SUMMARY OF CAPITAL EXPENDITURE AND SOURCES OF FINANCE

2003/04 £'000	Classification by Service	2004/05 £'000
15,059	Education, Lifelong Learning and Community	17,743
8,341	Regeneration, Housing and Built Environment	11,198
4,426	Social Care and Supported Housing	3,040
7,995	Corporate Services	13,854
35,821	TOTAL	45,835
2003/04 £'000	Classification by Type	2004/05 £'000
0	<b>Intangible fixed assets</b>	91
	<b>Tangible fixed assets</b>	
0	- Infrastructure	0
2,576	- Other land and buildings	437
301	- Vehicles, plant and equipment	1,809
0	- Community assets (cemeteries only)	0
2,877	<b>Operational assets</b>	2,246
4,512	<b>Assets under construction</b>	4,897
0	<b>Other capital outlay</b>	0
22,889	<b>Expenditure on enhancing the life or functional value without affecting their market value</b>	33,460
2,963	- Improvement grants	2,015
154	- Education	340
2,001	- Resources	2,544
5,197	<b>Deferred charges</b>	4,899
79	Magistrates	242
35,475	TOTAL	45,835
2003/04 £'000	How Capital Expenditure is Financed	2004/05 £'000
	<b>Borrowing</b>	
16,980	Credit approvals used for borrowing	0
0	Supported borrowing under prudential code	19,016
0	Unsupported borrowing under prudential code	3,626
16,980		22,642
	<b>Borrowing</b>	
336	European grants	225
13,760	Government grants	12,624
	Contractual bonds and other private sector contributions	669
462		
14,558		13,518
84	Direct revenue funding	32
6,731	Usable capital receipts	2,607
(1,568)	Capital expenditure awaiting reimbursement b/fwd:	(1,501)
1,501	Capital expenditure awaiting reimbursement c/fwd	9,691
38,286		46,989
0	Less: grant used to repay debt	0
38,286		46,989
	Accrued expenditure to be funded by future borrowing	
833	Council funding	0
322	External funding	0
	<b>Total</b>	
39,441	<b>(2004/05 including the financing of £1.155m unfinanced in previous years)</b>	46,989



#### 43. CONTINGENT LIABILITIES

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.

#### 44. CONTINGENT ASSETS

The council is at present pursuing recovery of the balances from a former regeneration partner. This recovery is currently subject to legal action. If the council is successful, this would result in the authority receiving remaining balances of between £0.4 Million - £0.5 Million.

#### 45. POST BALANCE SHEET EVENTS

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 have been subject to clawback. On 21 June the council received confirmation that it shall not be subject to clawback of receipts received. The total value of receipts available for use due to this confirmation is £1.708 million.

#### 46. CAPITAL COMMITMENTS

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

Capital Commitments	2003/04 £'000	2004/05 £'000
Education, Lifelong Learning and Community	985	2,134
Regeneration, Housing and Built Environment	1,735	5,251
Corporate Services	281	2,092
Social Care and Supported Housing	1,272	1,514
<b>Total Capital Commitments</b>	<b>4,273</b>	<b>10,991</b>

## 47. LEASES

Amounts paid during the year were as follows:

Operating leases – 2004/05 £1.972 million (£2.312 million in 2003/04)

Finance leases – nil in both 2004/05 and 2003/04

Open hire scheme (OHS) – 2004/05 £0.869 million (£0.564 million in 2003/04)

As at 31 March 2005, the council has a commitment on the revenue account to meet charges on leased items as detailed below:

LEASED ITEMS CHARGES						
2003/04			YEAR	2004/05		
OPERATING £'000	OHS £'000	TOTAL £'000		OPERATING £'000	OHS £'000	TOTAL £'000
1,348	796	2,144	2004/5	1,972	869	2,841
645	796	1,441	2005/6	762	869	1,631
429	0	429	2006/7	503	0	503
208	0	208	2007/8	234	0	234
55	0	55	2008/9	81	0	81

## 48. ASSOCIATED COMPANY INTERESTS AND HOLDINGS

Birmingham Airport Holdings (BAH) was incorporated on 4 February 1997, and commenced trading on 26 March 1997. The BAH 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 BAH are the seven West Midlands District Councils who together own 49% of BAH'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 BAH'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.

2003/04 £'000	Birmingham Airport	2004/05 £'000
109,570	Turnover	110,195
205,560	Net assets	212,495
30,881	Profit before taxation	29,085
19,888	Profit after taxation	18,764

## 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.

## 49. MOVEMENT IN REVENUE AND PENSION RESERVES

	General Fund Reserve	Housing Revenue Account Reserve	Collection Fund Reserve	Foundation Schools Reserve	Other Earmarked Reserves	Pensions Reserve	Total Revenue/Pensions Reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance 31/03/05	6,628	0	(789)	1,095	21,088	(236,677)	(208,655)
Balance 31/03/04	6,739	2,126	(218)	1,642	20,186	(153,931)	(123,457)
<b>Movement in Year</b>	<b>(111)</b>	<b>(2,126)</b>	<b>(571)</b>	<b>(546)</b>	<b>902</b>	<b>(82,745)</b>	<b>(85,198)</b>
General Fund surplus/ (deficit)	(111)	0	0	0	0	0	(111)
HRA surplus/(deficit)	0	(2,126)	0	0	0	0	(2,126)
Movements on earmarked reserves	0	0	(571)	(546)	902	0	(215)
Appropriation from pensions reserves	0	0	0	0	0	(21,797)	(21,797)
Actuarial gains and losses relating to pensions	0	0	0	0	0	(74,360)	(74,360)
<b>Total increase/ (decrease) in revenue resources</b>	<b>(111)</b>	<b>(2,126)</b>	<b>(571)</b>	<b>(546)</b>	<b>902</b>	<b>(98,609)</b>	<b>(98,609)</b>
<b>Increase/ (decrease) on the pensions reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,411</b>	<b>13,411</b>
<b>Total recognised gains and losses for revenue/pensions reserves</b>	<b>(111)</b>	<b>(2,126)</b>	<b>(571)</b>	<b>(546)</b>	<b>902</b>	<b>(82,746)</b>	<b>(85,198)</b>

## 50. MOVEMENT IN CAPITAL RESERVES

	Usable Capital Receipts Reserve £'000	Deferred Premiums & Credits £'000	Capital Financing Account £'000	Fixed Asset Restatement Account £'000	Deferred Government Grants and Contributions £'000	Total £'000
Balance 31/03/05	27,992	10,165	317,647	320,594	22,064	698,463
Balance 31/03/04	23,102	11,152	314,860	353,046	20,534	722,695
<b>Movement in Year</b>	<b>4,889</b>	<b>(987)</b>	<b>2,787</b>	<b>(32,452)</b>	<b>1,530</b>	<b>(24,232)</b>
Increase/(decrease) in useable capital receipts	541	0	0	0	0	541
Increase/(decrease) in unapplied capital grants and contributions	4,348	0	0	0	0	4,348
Deferred credits		(987)	0	0	0	(987)
<b>Total increase/ (decrease) in realised capital resources</b>	<b>4,889</b>	<b>(987)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,902</b>
Gains/(losses) on revaluation of fixed assets	0	0	0	(31,460)	0	(31,460)
Impairment losses on fixed assets	0	0	0	0	0	0
Gains/(losses) on market value of investments	0	0	0	0	0	0
<b>Total unrealised increase/(decrease) in value of fixed assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(31,460)</b>	<b>0</b>	<b>(31,460)</b>
<b>Value of assets sold, decommissioned or realised</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(992)</b>	<b>0</b>	<b>(992)</b>
Capital receipts set aside	0	0	276	0	0	276
Revenue resources set aside	0	0	2,511	0	0	2,511
Movement on Government grants deferred	0	0	0	0	1,530	1,530
<b>Total increase/ (decrease) in amounts set aside to finance capital investment</b>	<b>0</b>	<b>0</b>	<b>2,787</b>	<b>0</b>	<b>1,530</b>	<b>4,317</b>
<b>Total recognised gains and losses for capital reserves</b>	<b>4,889</b>	<b>(987)</b>	<b>2,787</b>	<b>(32,452)</b>	<b>1,530</b>	<b>(24,233)</b>

## 51. RECONCILIATION OF CONSOLIDATED REVENUE ACCOUNTS

2003/04 £'000	RECONCILIATION OF CONSOLIDATED REVENUE ACCOUNTS	2004/05 £'000
(3,376)	<b>Net deficit/(surplus)</b>	2,237
	<b>Add back:</b>	
(4,497)	Servicing of finance	(6,098)
(3,668)	Revenue cash activities on balance sheet	(9,711)
	<b>Non-cash transactions:</b>	
(1,071)	contributions to/(from) provisions	(1,388)
(5,573)	contributions to/(from) reserves	216
6,038	contributions to/(from) capital	(1,154)
3,878	contributions to/(from) other accounts	4,773
	<b>Items on an Accruals Basis</b>	
116	Increase/(decrease) in stock and work in progress	78
(43,558)	Increase/(decrease) in revenue debtors	7,602
57,880	(Increase)/decrease in revenue creditors	(10,280)
<b>6,169</b>	<b>Revenue activities net cash flow</b>	<b>(13,725)</b>

## 52. 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 31/03/04 £'000	Movement £'000	As at 31/03/05 £'000
Cash overdrawn	(8,261)	(1,613)	(9,874)
Cash in hand	2,587	227	2,814
Short-term investments	57,967	(11,380)	46,587
<b>Net Cash Outflow</b>	<b>52,293</b>	<b>(12,766)</b>	<b>39,527</b>

**53. ANALYSIS OF REVENUE - OTHER GOVERNMENT GRANTS AND REIMBURSEMENTS**

<b>2003/04 £'000</b>	<b>ANALYSIS OF REVENUE - OTHER GOVERNMENT GRANTS AND REIMBURSEMENTS</b>	<b>2004/05 £'000</b>
18,827	H M Customs and Excise	23,234
13,791	Standards Fund	13,449
13,601	Learning & Skills Council	13,002
7,691	Supporting People	7,775
7,122	Neighbourhood Renewal Fund	8,592
6,504	Social Services Adults Grants	10,226
4,841	DFES schools grant	5,115
3,176	Social Services Quality Protects	299
2,672	Other Social Services Children's Grants	3,308
2,147	Single Regeneration Budget	2,179
980	Co-Financing Initiative	0
0	Teachers Pay Reform Grant	5,083
1,877	Other	11,596
<b>83,229</b>	<b>Total</b>	<b>103,858</b>

**54. ANALYSIS OF CAPITAL GRANTS**

<b>2003/04 £'000</b>	<b>ANALYSIS OF CAPITAL GRANTS</b>	<b>2004/05 £'000</b>
9,471	Schools Standard	7,261
1,950	Street Lighting PFI	1,160
1,231	Derelict Land / Limestone	438
674	ERDF	323
530	Housing Specific	456
445	SRB	465
369	St Thomas More PFI	336
308	New Deal for Communities	1,784
295	Electronic Government	604
254	Advantage West Midlands	74
70	Magistrates	266
0	Replacement Benefits System	216
1,966	Other	3,670
<b>17,563</b>	<b>Total</b>	<b>17,053</b>

## 55. ANALYSIS OF CHANGES IN NET DEBT

Analysis of Changes in Net Debt	As at 31/03/04 £'000	Movement	As at 31/03/05 £'000
Cash or Cash Equivalents	(52,293)	12,766	(39,527)
Long Term Investments	(8,546)	(9,000)	(17,546)
	(60,839)	3,766	(57,073)
new borrowing raised		60,000	
borrowing repaid		(46,009)	
New short term borrowing raised		37,473	
Short term borrowing repaid		(25,357)	
Total Borrowing	188,834	13,650	202,484
Total	127,996	17,415	145,410

## ADDITIONAL FINANCIAL STATEMENTS

### A. COLLECTION FUND

#### 1. INCOME AND EXPENDITURE ACCOUNT

2003/04 £'000		2004/05 £'000
	<b>INCOME</b>	<b>Note</b>
57,108	Income from business ratepayers	(2) 60,526
71,865	Income from council tax payers	(3) 73,828
18,655	Benefits	20,260
147,628		154,614
	<b>EXPENDITURE:</b>	
	Precepts and demands:	
82,086	Walsall Metropolitan Borough Council	(5) 84,530
5,397	Police	(5) 6,079
2,767	Fire and Civil Defence	(5) 2,984
90,250		93,593
56,716	Payable to NNDR pool	(2) 60,136
393	Cost of collection	(2) 390
	Write offs	
5	- Community charge/poll tax	0
501	- Council tax	652
	Change in provision for uncollectable amounts:	
(6)	- Community charge/poll tax	0
71	- Council tax	414
147,931		155,185
(644)	<b>Collection fund balance brought forward at 1 April</b>	218
147,287		155,403
59	Transfer to Precepting Authorities	0
500	Amount used to support council tax	0
(218)	<b>Collection fund balance carried forward at 31 March</b>	(789)
147,628		154,614

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 2005 was £159.581 million (£156.505 million 2003/04). The total amount, less certain relief and other deductions, is paid into 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:



2003/04 £'000		2004/05 £'000
65,626	Gross amount payable to the NNDR Pool: Non-domestic rates	68,988
810	ADD/(DEDUCT): transitional relief	(108)
(677)	LESS: bad debts written off/provision for bad debts	(753)
(8,651)	allowances and other adjustments	(7,601)
57,108	Income from business ratepayers	60,526
(392)	LESS: Costs of collection allowance	(390)
56,716	<b>Net income to pool</b>	60,136

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 2004/05 the multiplier is £0.456 (£0.444 in 2003/04).

### 3. INCOME DUE FROM COUNCIL TAX

The council set a council tax of £1,233.06 for 2004/05 (£1,189.92 2003/04), including precepts for the Police Authority and the Fire and Civil Defence Authority based upon a tax base of 75,903 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:

2003/04 £'000		2004/05 £'000
90,519	Gross council tax due (Adjusted for changes in banding etc)	94,088
(18,655)	LESS: Benefit awarded	(20,260)
71,864	<b>TOTAL</b>	73,828

### 4. CALCULATION OF THE COUNCIL TAX BASE

Band	Weight	No. Dwellings	Discounted Value	Band D Equivalent
A	6/9	49,838	41,945	27,957
B	7/9	23,888	21,516	16,735
C	8/9	16,144	14,853	13,202
D	1	9,282	8,688	8,688
E	11/9	5,211	4,861	5,942
F	13/9	2,194	2,075	2,998
G	15/9	706	653	1,088
H	2	53	30	60
		107,316	94,621	76,670

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

2003/04 £'s		2004/05 £'s
82,085,850	Walsall Metropolitan Borough Council	84,530,135
5,397,079	Police	6,078,604
2,767,446	Fire and Civil Defence	2,984,462
<b>90,250,375</b>	<b>TOTAL</b>	<b>93,593,201</b>

6. COLLECTION FUND BALANCE

2003/04 £'000		2004/05 £'000
	<b>Community Charge / Poll Tax</b>	
1	Surplus/(deficit) brought forward 1 April	2
1	Surplus/(deficit) for year	0
2		
0	Amount used to support council tax	0
2	Surplus/(deficit) carried forward 31 March	2
	<b>Council Tax</b>	
643	Surplus/(deficit) brought forward 1 April	(220)
(304)	Surplus/(deficit) for year	(571)
339		(791)
(59)	Transfer to precepting authorities	0
(500)	Amount used to support council tax	0
(220)	Surplus/(deficit) carried forward 31 March	(791)
(218)	<b>Total Collection Fund Balance</b>	(789)
	<b>Appropriation of Council Tax Balance</b>	
(257)	Council	(773)
25	Police	(12)
12	Fire and Civil Defence	(6)
(220)	<b>TOTAL</b>	(791)

## B. 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 Trust for the provision and maintenance of open space.

### 1. INCOME AND EXPENDITURE

	Income £	Expenditure £	Net Income/(Expenditure)	
			2004/05 £	2003/04 £
<b>Education, Lifelong Learning &amp; Community</b>				
S W Tame	23	0	23	18
John Leckie Memorial	1,143	0	1,143	902
Joseph Leckie Trust	1,149	0	1,149	919
Barr Beacon	12,048	0	12,048	9,240
<b>Corporate Services</b>				
Walsall Agricultural	29	0	29	25
<b>TOTAL</b>	<b>14,392</b>	<b>0</b>	<b>14,392</b>	<b>11,104</b>

FUNDS ASSETS	Capital Portion £	Revenue Accumulation £	Total 2004/05 £	Total 2003/04 £	Market	Value
					2004/05 £	2003/04 £
<b>Education, Lifelong Learning &amp; Community</b>						
S W Tame	55	371	426	403	432	409
Joseph Leckie Memorial	1,518	20,261	21,779	20,635	21,779	19,117
Joseph Leckie Trust	1,500	20,504	22,004	20,855	22,165	20,899
Barr Beacon	0	260,449	260,449	248,401	260,449	248,401
<b>Corporate Services</b>						
Walsall Agricultural	330	241	571	543	571	542
<b>TOTAL</b>	<b>3,403</b>	<b>301,826</b>	<b>305,229</b>	<b>290,837</b>	<b>305,396</b>	<b>289,368</b>

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.

<b>2003/04</b>	<b>Social Care Residents' Monies held</b>	<b>2004/05</b>
<b>£</b>		<b>£</b>
458,342	Balance at 1 April	442,302
(16,040)	Net Deposits/(Withdrawals) in year	68,377
442,302	<b>TOTAL</b>	510,679

## 2. TRUSTS CONSOLIDATED BALANCE SHEET

<b>2003/04</b>	<b>Consolidated Balance Sheet</b>	<b>2004/05</b>
<b>£</b>		<b>£</b>
618,487	Investment trust fund	686,864
0	Debtors	121
114,652	Cash	128,922
733,139	<b>TOTAL</b>	815,907
729,736	- Revenue fund balances	812,504
3,403	- Capital account	3,403
733,139	<b>TOTAL</b>	815,907

## 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. INTANGIBLE FIXED ASSETS**

All expenditure on the acquisition or enhancement of intangible fixed assets has been capitalised on an accruals basis. Intangible fixed assets have been included in the balance sheet at cost. Intangible fixed assets are replacing deferred charges on the balance sheet from 1 April 2004 in line with ACOP and FRS10.

## **3. AMORTISATION OF INTANGIBLE FIXED ASSETS**

Intangible fixed assets are amortised over their economic life using the straight line method. The period used for intangible fixed assets are:

Premia incurred in early redemption of debt	- Life of Replacement Loan (0-50 Years)
---	---

Software licences	- Legal life of licence
-------------------	-------------------------

## **4. TANGIBLE FIXED ASSETS**

All expenditure on the acquisition, creation or enhancement of tangible fixed assets has been capitalised on an accruals basis. Fixed assets including operational land have been included in the balance sheet at net current replacement cost. For valuation purposes, Tangible fixed assets have 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 – 2005.

## **5. DEPRECIATION OF TANGIBLE FIXED ASSETS**

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

Car parks – 50 years

Infrastructure - 25 to 35 years

Mobile plant - 5 to 10 years

Motor vehicles - 5 years

Following CIPFA guidance where an asset has been subject to revaluation, the depreciation charge is to be based on the revised amount and the remaining economic life of the asset.

## **6. CAPITAL CHARGES**

Capital charges made to service revenue accounts and central support services, 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 2005. The notional rates of interest used are 3.5% (3.5% in 2003/04) for both those fixed assets included in the balance sheet at current value and 4.8% (4.625% in 2003/04) 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.

## **7. 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.

## **8. 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.

## **9. 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 off to the Asset Management Revenue Account over the useful life of the asset to match the depreciation of the asset to which the grant relates.

## **10. DEFERRED CHARGES**

From 1 April deferred charges are no longer shown on the local authorities accounts. If expenditure occurs that was previously classified as a deferred charge then it is now classified as either a tangible or intangible fixed asset and is carried under that heading. If this expenditure does not result in the acquisition of an asset by the authority then the spend is charged to revenue, with a corresponding release from the capital financing account to ensure there is no impact on council tax levels. Examples of the type of expenditure covered by this includes housing renovation grants and disabled facilities grants.

## **11. GROUP ACCOUNTS**

The group account requirements of the council have been reviewed and prepared in line with the 2004 SORP requirement.

## **12. CONTINGENT LIABILITIES**

These are explained in note 43 page 38.

## **13. POST BALANCE SHEET EVENTS**

These are detailed in note 45 page 38.

#### **14. INTEREST**

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.

#### **15. VALUE ADDED TAX (VAT)**

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

#### **16. 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.

#### **17. 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 Urgent Issue Task Force 12, 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.

#### **18. 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.

#### **19. CREDITORS**

Revenue expenditure incurred up to 31 March 2005 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. An estimation for social services residential places and the contributions arising has been made based upon current placement numbers and patterns of payments received.

#### **20. 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.



## **21. 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.

## **22. 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 account. The reserved element of the receipt is used to repay debt and is transferred to the capital finance account 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 account.
- Also under the Code, any disposal or revaluation of a fixed asset is accounted for in the fixed asset restatement account.

## **23. REDEMPTION OF DEBT**

Repayments of principal are now made in the year after supported borrowing in accordance with statutory provisions, requiring a revenue provision of 4% on the total of all services, less permitted adjustments linked to cash flows on commutated grants. For unsupported borrowing, an additional voluntary provision is made equivalent to the difference between the 4% provision and the annual amortisation of the loan in line with the expected life of the asset.

## **24. MINIMUM REVENUE PROVISION**

In accordance with the requirements of the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 as amended, the authority is required to set aside a minimum revenue provision for the repayment of debt. This is equal to 4% of the capital financing requirement at the beginning of the year for the general fund. If depreciation does not equal this amount, a transfer to/from the capital financing account is made for the difference.

## **25. 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. The accounting treatment of foundation schools remains uncertain. Following consultation with the Audit Commission we have disclosed them fully in the accounts in accordance with FRS5 – reporting substance of transactions.

## 26. FRS17 - RETIREMENT SCHEMES

Local authorities were required from 2003/04 to fully implement FRS17 within their statement of accounts. This represented 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. These 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.

In assessing liabilities for retirement benefits at 31 March 2004 for the 2003/04 Statement of Accounts, the actuary was required by the SORP to use a discount rate of 6.3% actual. For the 2004/05 Statement of Accounts, a rate based on the current rate of return on a high-quality corporate bond of equivalent currency and term to scheme liabilities is to be used. The actuary has advised that a rate of 5.4% actual is appropriate. Application of this rate has resulted in an increase in liabilities measured at today's prices of £62.072 million for the Local Government Pension Scheme and £1.010 million for discretionary teachers pensions. These increases in liabilities have been adjusted for an increase in actuarial losses for the year recognised for the year in the statement of total movement on reserves (see page 17).

## 27. 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 (ORACLE)	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.
Procurement	Charge based on the number of creditor transactions
Communications	Charge based on the 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 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 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 (CCT):** 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.

**Financial Reporting Standard:** Financial Reporting Standard

## 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.

## 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 Council 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 Council 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.

**Prudential Code:** The current system on financial controls for capital financing introduced on 1 April 2004 that local authorities are required to operate by.

**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 materials 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.

**Supported Borrowing:** The level of borrowing that the authority receives funding for from central government to support capital expenditure.

**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.



## U

**UITF** – Urgent Issue Task Force

**Unsupported Borrowing:** Borrowing taken out in the year by the authority in addition to supported borrowing. The council is required to finance this borrowing itself through savings made and council tax.

## 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 Council

### INDEPENDENT AUDITORS REPORT TO WALSALL METROPOLITAN BOROUGH COUNCIL

I have audited the statement of accounts on pages 1 to 49 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 56 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 statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my/our profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts present fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on internal control on pages 9 to 14 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I/we am/are aware of from my/our audit of the financial statements. I am not required to consider whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures. My review was 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/we considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

### OPINION

In my/our opinion the statement of accounts presents fairly the financial position of Walsall Metropolitan Borough Council as at 31 March 2005 and its income and expenditure for the year then ended.

### CERTIFICATE

I cannot certify the completion of the audit as I still need to finalise my response to an electors question to me. I anticipate that this will be resolved within a few weeks.

Signature: ..... Date: .....

Name: ...John Gregory..... Address: .....