

|   |               |
|---|---------------|
| <b>Explanatory Foreword .....</b>   | <b>4</b>      |
| <b>1. Introduction.....</b>   | <b>4</b>      |
| <b>2. Explanation of the statements.....</b>                                    | <b>4</b>      |
| Consolidated Revenue Account (page 18).....                                     | 4             |
| Consolidated Balance Sheet (page 20).....                                       | 4             |
| Statement of Total Movements in Reserves (page 21).....                         | 4             |
| The Cashflow Statement (page 22).....   | 4             |
| Notes to the main accounting statements (page 23) .....                         | 4             |
| Collection Fund and associated notes (page 50) .....                            | 5             |
| Trust and Scholarship accounts (page 54).....                                   | 5             |
| Statement of accounting policies (page 56).....                                 | 5             |
| <b>3. An overview of the council's financial performance in 2005/06 .....</b>   | <b>5</b>      |
| Revenue Expenditure .....   | 5             |
| Reserves and Balances .....   | 5             |
| Capital Expenditure.....  | 6             |
| Treasury Management.....  | 7             |
| Partnerships.....   | 7             |
| Pensions Accounting .....   | 7             |
| <br><b>Statement of Responsibilities .....</b>                                  | <br><b>8</b>  |
| <b>Walsall Council's Responsibilities .....</b>                                 | <b>8</b>      |
| <b>The Chief Financial Officer's Responsibilities .....</b>                     | <b>8</b>      |
| <b>Certification of Accounts .....</b>  | <b>8</b>      |
| <br><b>Statement on systems of internal control.....</b>                        | <br><b>9</b>  |
| <b>1. Scope of responsibility .....</b>   | <b>9</b>      |
| <b>2. The purpose of the system of internal control.....</b>                    | <b>9</b>      |
| <b>3. The internal control environment.....</b>                                 | <b>9</b>      |
| <b>4. Review of effectiveness .....</b>   | <b>12</b>     |
| <b>5. Significant internal control issues .....</b>                             | <b>14</b>     |
| Internal Audit Work .....   | 14            |
| External Audit Work .....   | 15            |
| <br><b>Main financial statements .....</b>                                      | <br><b>18</b> |
| <b>Consolidated Revenue Account .....</b>                                       | <b>18</b>     |
| <b>Consolidated Balance Sheet.....</b>  | <b>20</b>     |
| <b>Statement of total movement in reserves .....</b>                            | <b>21</b>     |
| <b>The Cashflow Statement .....</b>   | <b>22</b>     |
| <br><b>Notes to the main financial statements.....</b>                          | <br><b>23</b> |
| <b>1. Audit costs .....</b>   | <b>23</b>     |
| <b>2. Trading account summary.....</b>  | <b>23</b>     |
| <b>3. Asset management revenue account .....</b>                                | <b>23</b>     |
| <b>4. Expenditure incurred under s.137 Local Government Act 1972.....</b>       | <b>23</b>     |
| <b>5. Expenditure in accordance with s.5(i) Local Government Act 1986 .....</b> | <b>24</b>     |
| <b>6. Markets undertaking .....</b>   | <b>24</b>     |
| <b>7. Agency services .....</b>   | <b>24</b>     |
| <b>8. Minimum revenue provision .....</b>                                       | <b>24</b>     |
| <b>9. Officers' emoluments.....</b>   | <b>25</b>     |
| <b>10. Local Authority (Goods &amp; Services) Act 1970.....</b>                 | <b>25</b>     |
| <b>11. Members' allowances.....</b>   | <b>25</b>     |
| <b>12. Private Finance Initiative (PFI) consultancy costs .....</b>             | <b>26</b>     |

|  |           |
|--|-----------|
| <b>13. Private finance initiatives.....</b>  | <b>26</b> |
| Integrated Transport Project .....   | 26        |
| St. Thomas More .....  | 26        |
| Public Lighting .....  | 26        |
| <b>14. Related party transactions.....</b>   | <b>27</b> |
| <b>15. Preparing for the euro .....</b>  | <b>28</b> |
| <b>16. Building regulations charging account .....</b>                                       | <b>28</b> |
| <b>17. Pooled budgets.....</b>   | <b>28</b> |
| <b>18. Pension costs .....</b>   | <b>29</b> |
| <b>19. FRS17 – Retirement benefits .....</b>   | <b>30</b> |
| <b>20. Intangible fixed assets .....</b>   | <b>32</b> |
| <b>21. Tangible fixed assets .....</b>   | <b>33</b> |
| <b>22. Long term investments .....</b>   | <b>34</b> |
| <b>23. Long term debtors.....</b>  | <b>34</b> |
| <b>24. Stocks and work in progress.....</b>  | <b>34</b> |
| <b>25. Debtors.....</b>  | <b>35</b> |
| <b>26. Short term investments.....</b>   | <b>35</b> |
| <b>27. Landfill Allowance Trading Scheme (LATS).....</b>                                     | <b>35</b> |
| <b>28. Cash in hand and overdraw.....</b>  | <b>36</b> |
| <b>29. Borrowing repayable within 12 months.....</b>   | <b>36</b> |
| <b>30. Creditors.....</b>  | <b>36</b> |
| <b>31. Long term borrowing .....</b>   | <b>37</b> |
| <b>32. Provisions .....</b>  | <b>37</b> |
| <b>33. Reserves: General Fund Reserve .....</b>  | <b>38</b> |
| <b>34. Collection fund reserve.....</b>  | <b>38</b> |
| <b>35. Other earmarked reserves .....</b>  | <b>38</b> |
| <b>36. Usable capital receipts.....</b>  | <b>39</b> |
| <b>37. Reserves: deferred credits .....</b>  | <b>39</b> |
| <b>38. Reserves: deferred premiums on repurchase of debt .....</b>                           | <b>39</b> |
| <b>39. Capital financing accounts &amp; deferred government grants and contributions... </b> | <b>40</b> |
| <b>40. Fixed asset restatement account .....</b>   | <b>40</b> |
| <b>41. Pension reserve.....</b>  | <b>41</b> |
| <b>42. Statement of net assets employed.....</b>   | <b>41</b> |
| <b>43. Analysis of tangible fixed assets .....</b>   | <b>42</b> |
| <b>44. Summary of capital expenditure and sources of finance .....</b>                       | <b>43</b> |
| <b>45. Contingent liabilities .....</b>  | <b>44</b> |
| <b>46. Contingent assets .....</b>   | <b>44</b> |
| <b>47. Post balance sheet events.....</b>  | <b>44</b> |
| <b>48. Capital commitments .....</b>   | <b>44</b> |
| <b>49. Leases .....</b>  | <b>45</b> |
| <b>50. Associated company interests and holdings.....</b>                                    | <b>45</b> |
| Birmingham International Airport.....  | 45        |
| Other.....   | 46        |
| <b>51. Movement in revenue and pension reserves .....</b>                                    | <b>46</b> |
| <b>52. Movement in capital reserves.....</b>   | <b>47</b> |
| <b>53. Reconciliation of consolidated revenue accounts .....</b>                             | <b>48</b> |
| <b>54. Movement in cash and cash equivalents .....</b>                                       | <b>48</b> |
| <b>55. Analysis of revenue – other government grants and reimbursements .....</b>            | <b>49</b> |
| <b>56. Analysis of capital grants .....</b>  | <b>49</b> |
| <b>57. Analysis of changes in net debt.....</b>  | <b>49</b> |
| <br>   |           |
| <b>Additional financial statements .....</b>   | <b>50</b> |
| <b>Collection fund.....</b>  | <b>50</b> |
| 1. Income and expenditure account .....  | 50        |

|   |   |           |
|---|---|-----------|
| 2.  | Income from business rates .....                              | 51        |
| 3.  | Income due from council tax .....                             | 51        |
| 4.  | Calculation of the council tax base .....                     | 52        |
| 5.  | Organisations which made a precept or demand on the fund..... | 52        |
| 6.  | Collection fund balance.....                                  | 53        |
| <b>Trust and scholarship accounts .....</b>   |   | <b>54</b> |
| 1.  | Income and expenditure.....                                   | 54        |
| 2.  | Trusts consolidated balance sheet.....                        | 55        |
| <b>Statement of accounting policies .....</b> |   | <b>56</b> |
| 1.  | <b>General .....</b>  | <b>56</b> |
| 2.  | <b>Intangible fixed assets .....</b>                          | <b>57</b> |
| 3.  | <b>Tangible fixed assets .....</b>                            | <b>57</b> |
| 4.  | <b>Deferred charges .....</b>                                 | <b>58</b> |
| 5.  | <b>Capital charges.....</b>                                   | <b>58</b> |
| 6.  | <b>Capital receipts.....</b>                                  | <b>58</b> |
| 7.  | <b>Government grants .....</b>                                | <b>58</b> |
| 8.  | <b>Leases .....</b>   | <b>58</b> |
| 9.  | <b>Repurchase of borrowing .....</b>                          | <b>59</b> |
| 10.   | <b>Redemption of debt.....</b>                                | <b>59</b> |
| 11.   | <b>Minimum revenue provision .....</b>                        | <b>59</b> |
| 12.   | <b>Interest.....</b>  | <b>59</b> |
| 13.   | <b>Investments.....</b>                                       | <b>59</b> |
| 14.   | <b>Group accounts .....</b>                                   | <b>59</b> |
| 15.   | <b>Debtors .....</b>  | <b>59</b> |
| 16.   | <b>Stocks.....</b>  | <b>60</b> |
| 17.   | <b>Creditors.....</b>   | <b>60</b> |
| 18.   | <b>Provisions and contingencies.....</b>                      | <b>60</b> |
| 19.   | <b>Reserves.....</b>  | <b>60</b> |
| 20.   | <b>Foundation schools .....</b>                               | <b>60</b> |
| 21.   | <b>FRS17 – Retirement schemes .....</b>                       | <b>61</b> |
| 22.   | <b>Overheads .....</b>  | <b>62</b> |
| 23.   | <b>Value added tax (VAT).....</b>                             | <b>63</b> |
| 24.   | <b>Contingent liabilities .....</b>                           | <b>63</b> |
| 25.   | <b>Post balance sheet events .....</b>                        | <b>63</b> |
| <b>Glossary of terms .....</b>                |   | <b>64</b> |

## Section 1

# Explanatory Foreword

## 1. Introduction

These accounts set out the financial results of Walsall Council's activities for the year ended 31 March 2006. The council manages its affairs to ensure the economic, efficient and effective use of resources and to safeguard its assets. This is vital if the council is to continue to play a leading role in the life of Walsall and provide high quality services for the benefit of all its citizens. The task is shared by all members and officers under the leadership of the cabinet and chief executive. The executive director (corporate services) has a particular role in ensuring financial stewardship.

This statement of accounts is prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting which requires that the accounts present fairly the financial position of the council. Suitable accounting policies have been employed and applied consistently. Where necessary, prudent judgements and estimates were made which complied with the Code. The council keeps proper and up to date accounting records, maintains effective internal control and risk management systems and takes reasonable steps for the prevention and detection of fraud and other irregularities.

This section aims to explain the main information in the statement of accounts and give an overview of the council's financial performance.

## 2. Explanation of the statements

This statement of accounts summarises the council's finances for the financial year 2005/06 (1 April 2005 to 31 March 2006). The statement includes the following information:

### Consolidated Revenue Account (page 18)

This section details how much the council has spent on services throughout the year on services. It also shows how much of the expenditure has been funded from council tax, national non domestic rates and the revenue support grant.

### Consolidated Balance Sheet (page 20)

This statement is a snapshot of the council's financial position as at 31 March 2006. It shows the council's assets, liabilities, balances and reserves at that date. Assets include land and buildings, investments and monies owed to the council. Liabilities include money owed to creditors and long term loans.

### Statement of Total Movements in Reserves (page 21)

This statement summarises the movements within the year in the council's revenue and capital reserves.

### The Cashflow Statement (page 22)

The cashflow statement summarises the total cash movements during the year for revenue and capital purposes.

### Notes to the main accounting statements (page 23)

These notes provide additional information to assist in the interpretation of the consolidated revenue account, consolidated balance sheet, statement of total movements in reserves and cashflow statement.

### Collection Fund and associated notes (page 50)

This account reflects the statutory requirement for billing authorities to maintain a separate collection fund that collates all the transactions relating to a billing authority's national non domestic rates and council tax. The account demonstrates how resources have been distributed to precepting authorities and to the council's own general fund.

### Trust and Scholarship accounts (page 54)

These accounts reflect the activities during the year on gifts and bequests made to, held or administered by the council.

### Statement of accounting policies (page 56)

This section explains the main accounting policies the council has used to produce the figures in the accounts. The general principles are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). They ensure accounts from different public sector organisations are consistent and comparable.

## 3. An overview of the council's financial performance in 2005/06

During 2005/06 the Audit Commission rated all authorities in the country through a Comprehensive Performance Assessment (CPA). Walsall Council was rated a 3 star authority (CPA rates authorities from zero to four stars). The council scored 3 out of 4 for its Use of Resources – a key element of the CPA. The council's performance improvement agenda is detailed in the corporate plan.

Council expenditure is divided into two broad categories: revenue and capital. Revenue is day to day spending on items such as salaries and wages, purchase of equipment, services and materials, and the heating and lighting of premises. Capital expenditure relates to the purchase of major items such as land and buildings, and the construction of essential infrastructure such as roads.

### Revenue Expenditure

On 7 March 2005 council approved a net budget of £342.470 million (including precepts) representing an increase of 6.6%, equivalent to £21.157 million of additional net expenditure over 2004/05 (£321.313 million).

The following table show the final outturn position for 2005/06 indicating an overall planned deficit, after specific earmarkings, of £0.940 million. In setting the 2005/06 budget, Council on 07.03.05 approved the use of £1.235 million of general reserves to fund one off items of expenditure. Therefore the final year end position is £0.296 million better than forecast.

### Reserves and Balances

Overall during 2005/06 there was a net deduction from revenue reserves and balances of £0.940million against a planned deduction of £1.235million. The balance on the general fund at the end of 2005/06 stands at £5.295million (£6.628 million in 2004/05) following the deduction of this deficit. The table below summarises the deficits for the council's general fund and collection fund.

| <b>Fund</b>                   | <b>2004/05<br/>£m<br/>Deficit/(Surplus)</b> | <b>2005/06<br/>£m<br/>Deficit/(Surplus)</b> |
|-------------------------------|---|---|
| General Fund (see page 18)    | 2.237                                       | 0.940                                       |
| Collection Fund (see page 53) | 0.771                                       | 0.747                                       |

The £0.747 million deficit on the collection fund in 2005/06 will be met from future years' surpluses from council tax.

## Capital Expenditure

The council continues to have a successful approach to maximising external funding and has made match funding arrangements to a range of capital schemes completed in partnership with external bodies.

The council spent £60.082 million on capital expenditure in 2005/06, compared with the programmed spend of £82.967 million. The table below provides details of capital expenditure during 2005/06 compared to 2004/05.

| Capital  | Programme<br>£m | Actual<br>£m  | Variance<br>£m |
|--|-----------------|---------------|----------------|
| Mainstream projects funded by supported borrowing and capital receipts | 33.735          | 25.402        | 8.333          |
| Prudential Projects  | 11.599          | 7.505         | 4.094          |
| Non mainstream projects funded by grants                               | 37.632          | 27.174        | 10.458         |
| <b>Total</b>   | <b>82.967</b>   | <b>60.082</b> | <b>22.885</b>  |

Most capital projects are undertaken over a number of years so of the £22.885 variance £21.887 million is to be slipped into 2006/07. The funding is secured to support this. The table below summarises how capital expenditure was split over different assets. It also details how this expenditure was financed. Further details are given in notes 20 and 21, page 32 and 33.

| Capital Expenditure<br>Type of Asset             | 2005/06<br>£m | Capital Financing<br>Source                | 2005/06<br>£m |
|--|---------------|--|---------------|
| Intangible assets                                | 0.235         | Borrowing                                  | 13.562        |
| Other land and buildings                         | 20.864        | Prudential Borrowing                       | 12.269        |
| Vehicles and equipment                           | 4.585         | Capital Receipts                           | 6.427         |
| Infrastructure                                   | 14.995        | Capital Grants                             | 20.196        |
| Community Assets                                 | 2.192         | Other grant contributions                  | 1.389         |
| Non Operational Assets                           | 7.160         | Revenue                                    | 1.557         |
| Other Capital Outlay                             | 1.897         | Capital Expenditure awaiting reimbursement | 4.682         |
| <b>Total Capital Expenditure re Fixed Assets</b> | <b>51.928</b> |  | <b>60.082</b> |
| Deferred Charges                                 | 8.154         |  |               |
| <b>Total Capital Expenditure</b>                 | <b>60.082</b> |  | <b>60.082</b> |

Deferred charges arise when capital expenditure is incurred on assets not owned by the council and which therefore cannot be added to the council's asset register and balance sheet. Examples are grants made to owner occupiers of private houses to carry out improvements. This expenditure is charged to revenue with a corresponding release from the capital financing account to ensure there is no impact on council tax.

## Treasury Management

Walsall Council has a successful treasury management strategy that has continued to maximise investment income and minimise interest payments without undue or inappropriate exposure to financial risk.

At 31 March 2006 the council's external long term borrowing was £225.334 million (£199.498 million on 31 March 2005). Of this, £29 million represents debt owed to Dudley MBC for the former West Midlands County Council debt. Walsall Council's consolidated rate of interest for 2005/06 was 4.39% (4.64% in 2004/05).

During 2005/06 the council received £3.531 million (£3.448 million in 2004/05) of investment income. This was at an average rate of 4.76% (4.67% in 2004/05).

## Partnerships

The council transferred the provision of schools related Local Education Authority (LEA) services to an external organisation, Education Walsall, in December 2002. The council however continues to be the Local Education Authority.

The council currently has two Private Finance Initiative schemes (PFIs) in operation. A public lighting PFI has seen the council, in partnership with Amey Infrastructure Services, replace most of the streetlights in the borough in the first three years of the contract. Amey are now in a 25 year period in which they will maintain the street lighting on the council's behalf. This initiative is funded from a contribution from the council's revenue budget and a special grant from central Government. Further details of this PFI can be found in the street lighting strategy "Lighting up Walsall".

Another PFI relates to 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 school's governing body, Department for Education and Skills (DfES) grant, a contribution from the Diocese and a special grant from central Government.

The council has a large number of partnership arrangements with other organisations to assist in the delivery of its goals.

## Pensions Accounting

Walsall Council participates in the West Midlands Authorities Pension Fund which is administered by Wolverhampton City Council. In 2003/04 the introduction of Financial Reporting Standard 17 (FRS 17 Retirement Benefits) changed the way local authorities account for pension costs. The result of this change is that there is a shortfall of £236.6 million at 31 March 2006 (£236.7 million at 31 March 2005) between the forecast cost of future pensions and the value of assets currently within the pension fund. There is a small decrease in the value of liabilities of the pension fund. The 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. In addition future changes in the equity market will also adjust the value of the fund assets. The actuary undertook their triennial review of the pension fund as at 31 March 2004 for implementation from 2005/06. This review helps determine the required contribution that authorities need to make to the pension fund.

## Section 2

# 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 2006.

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 Accounts

I certify that the statement of accounts presents fairly the position of Walsall Metropolitan Borough Council as at 31 March 2006, and its income and expenditure for the year ended 31 March 2006.



.....  
CAROLE EVANS, CPFA  
Executive Director (Corporate Services)  
Chief Financial Officer.  
27 June 2006



## Section 3

# Statement on systems of internal control

## 1. Scope of responsibility

This statement is given in respect of the 2005/6 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 overall 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 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, as amended in 2006.

## 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Walsall Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place for the year ended 31 March 2006 and up to the date of approval of the annual report and 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, including:

- 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.

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 Individual Performance Management (IPM) Framework, a comprehensive risk management strategy and process, project management methodology 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.

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; 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 senior management teams, EMT, cabinet, to relevant scrutiny and performance panels and to Audit Committee, both on a regular planned basis and as required using the established performance boards model and 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. The risk management strategy and plans are subject to scrutiny by the Audit Committee.

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 (CIPPF) 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;
- An approved constitution, including financial and contract procedure rules and a scheme of delegations;
- Clear targets to measure financial and other performance through a comprehensive 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;
- Project management principles adopted 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 used in relation to partnership working agreed by EMT in April 2003, to ensure that activities are administered consistently and robustly across the council.
- Regular EMT and DMT performance boards which receive, consider and assess service plans, PIs, financial planning and project management processes.

Arrangements for the provision of internal audit are contained within the council's constitution. The council, via its executive director for corporate services who holds the post of statutory Chief Finance Officer (CFO) must ensure 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, as amended in 2006.

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 CFO 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 is required to report on his opinion in respect of the level of assurance that can be placed on the system of internal control.

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. Regular reports are also presented to senior management and EMT using the performance board model. A corrective action planning process is in place for all indicators not achieving target and progress is continually monitored

Executive Directors are required to provide an assurance statement that internal controls are operating effectively with their directorates, are subject to review, and where control weaknesses are identified, to put in place remedial action in a timely manner, and as agreed with audit.

The Audit Committee receives reports on the implementation of agreed internal and external audit recommendations, and seeks to ensure agreed recommendations are actioned and managed within directorates. The committee has an overview and scrutiny role in respect of the system of internal control and its effectiveness and the work of the committee includes the review of the statement of internal control and its approval.

#### 4. Review of effectiveness

Walsall Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the authority, who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspections.

EMT 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. In addition, EMT, the leader and members, via the Audit Committee formally consider and approve the SIC annually. Executive Directors provide an assurance statement that internal controls were operating effectively in 2005/6, were subject to review and significant internal control issues are being rectified.

The review of the effectiveness of the system of internal control is informed by the work of the Chief Internal Auditor and his annual assurance statement. In respect of the 2005/6 financial year, the following opinion has been given by the Chief Internal Auditor;

*“In my opinion, formed solely on the basis of the work undertaken by internal audit and its partner organisation in 2005/6, and the positive action taken by managers to implement agreed recommendations, Walsall Council’s overall system of internal control facilitates the effective exercise of the Council’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 2005/6 financial year and were reported as such to the relevant managers. My opinion as to the level of assurance that can be placed on the system of internal control is based on evidence provided to auditors by managers confirming that they had implemented or agreed to implement agreed recommendations detailed within report action plans within the areas for which they are responsible. These are considered within the report.”*

The Accounts and Audit (Amended) Regulations 2006, introduce a requirement for the council to conduct a review of the effectiveness of its system of internal audit. Whilst not a specific requirement for 2005/6, this can be evidenced by the:

- External auditors’ annual review of internal audit work to ensure that work can be relied upon;
- Quality assurance controls put in place by the Chief Internal Auditor and his managers, in managing and delivering the internal audit service in accordance with the CIPFA code of practice and including such areas as discussion/agreement to the risk based audit plan and carrying out/reporting upon the audit review;
- Role of the Audit Committee in endorsing internal audit’s work plan and in their regular review and scrutiny of audit performance and;
- The line managers activities of the Assistant Director of Finance;
- The regular review of internal audit work by the CFO including regular meetings with the Chief Internal Auditor;

- The monthly corporate services performance boards which review performance of directorate activity (including Internal Audit).
- A high performance and achievement level against targets, including a 96% delivery of the annual audit plan in 2005/6 against 95% in 2004/5.
- High level of satisfaction received from auditees based on satisfaction surveys returned following completion of each audit assignment.

The Audit Commission's 'Annual Audit and Inspection Letter' published in January 2006, states that they continue to be satisfied with the standard and range of internal audit work which meets the expected professional standards and provides the S151 officer and the council with the assurance needed. As a result they continue to be able to place reliance on our work and reduce their own audit procedures.

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 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 and are in operation, for a number of these, such as New Deal, 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.

The review of effectiveness is also informed and evidenced by the following;

- The current CPA score of 3 and "improving well" (maximum score is 4) for Walsall.
- The overall use of resources score of 3 out of 4, which focuses on financial management but also links to the strategic management of the Authority.
- The work of the council's external auditors with the January 2006 Annual Audit and Inspection letter included that they gave an unqualified opinion on the 2004/5 accounts and confirmed:
  1. The council's finances are generally well controlled. Overall, the council's system of internal control is sound. Internal audit identified that some short term breakdowns in controls have occurred in the year, mainly due to implementation of new systems.
  2. The combined medium term financial strategy and decision conferencing and budget preparation processes as an area of good practice.
  3. The council's financial position at 31 March 2005 was sound and in line with the medium-term financial strategy and this has continued through 2005/06.
  4. That the Audit Commission continues to be satisfied with the standard and range of internal audit work which meets expected professional standards and provides the S151 officer and the council with the assurance needed.
  5. There were no significant weaknesses in the arrangements to prevent and detect fraud and corruption.
  6. There were no significant weaknesses in the framework established by the council for ensuring the legality of its significant financial transactions.

Some control weaknesses were however highlighted and further information is provided on those in s5 of this statement.

- Work undertaken in 2005/6 to address the significant control weaknesses identified in the 2004/5 SIC including:

1. Key financial systems – agreed recommendations from internal audit work on accounts payable and accounts receivable have been and are being implemented, and the internal auditor gave an “adequate” opinion on the internal controls now in place. A “good” opinion was obtained in respect of the main accounting system.
2. Payroll and personnel system – whilst progress has been made on implementing audit recommendations, some control weaknesses still apply. These are detailed more in section 5.

We have been advised on the implications of the result of the effectiveness of the system of internal control by the Authority and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## 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.

### Internal Audit Work

Whilst Internal Audit have acknowledged that in most cases the council’s key financial systems are operating satisfactorily, there are certain systems where controls were considered to be in need of improvement. The most significant of these included the benefits and payroll and personnel systems.

- The review of benefits noted some good practices during the audit, for example in training and guidance notes issued to benefits officers; but a number of areas required improvement. These included benefit file maintenance, particularly in locating files; claim processing including the timeliness in which new claims are processed; the number of benefit overpayments arising due to information held on file not being input promptly to the benefits system Sx3; improvements in the reconciliation of benefits systems and the existence of Sx3 processing errors. The prompt implementation of the recommendations contained within the report has been assured by managers.
- The review of the payroll and employment support services noted that although some progress had been made in actioning previous audit recommendations, particularly in relation to reminding managers of their procedural responsibilities with regard to payroll, audit testing in 2005/6 continued to reveal weaknesses within segregation of duties and lack of evidence of authorisation and senior / independent review leading to a number of exceptions being noted in the sample of establishment, starters, leavers, variations to pay and absence management / reporting tested. Again, the prompt implementation of the recommendations contained within the report has been assured by managers.

During 2005/6 audit reviews were undertaken of other financial/non financial systems and processes that contribute to the council’s overall corporate governance arrangements. The work identified that in most audit assignments the processes examined were generally working satisfactorily. System weaknesses were, however, identified in some services including benefit claim processing, meals on wheels, establishment visits and contracts’ award and monitoring. A number of high priority recommendations were made during the year to address control weaknesses and almost all were accepted for implementation by managers.

An area of concern identified in 2005/6 by internal audit activity related to the review of several revenue contracts where;

- A number of control weaknesses were identified within social care and inclusion (voluntary sector and commissioning care contracts) and within other directorates, for supplies and services (computer equipment, temporary staff and communication – IT). The reviews covered

procurement, tendering and contract award and monitoring arrangements and resulted in a poor rating overall. Action plans have been agreed with all managers, and additionally officer training on the recently approved revised financial and contract rules, where the requirement to comply with the rules, without exception, will be made clear to senior managers and all other officers having contracting responsibilities.

Fraud and irregularity work was undertaken by the internal audit service during the year. Whilst none of the cases were material in the context of the statement of internal control, a small number demonstrated an existence of control weaknesses as follow;

#### Neighbourhood Renewal Fund (NRF)

Internal Audit undertook a series of reviews (between July 2004 and autumn 2005) of the procedures in place for the management and administration of the Neighbourhood Renewal Fund (NRF). Control weaknesses identified were wide ranging and included governance, duplicate payments, lack of evidence of project monitoring and adherence to NRF grant conditions. The issues identified were largely in relation to 2003/4 and 2004/5 and resulted in 3 reports being issued with a series of recommendations.

The NRF administrative costs report made 6 recommendations all of which have been confirmed by managers as fully implemented. NRF approvals and spend report made 18 recommendations, 17 of which have been confirmed as fully implemented. The 1 remaining recommendation was addressed by the formal adoption of a revised constitution for the Walsall Borough Strategic Partnership (WBSP), presented to the Executive Committee on 26 May 2006 and due to be presented to the Annual General Meeting of the WBSP Board on 26 June 2006.

For the third and final NRF report, only 3 pieces of work remain outstanding; a file review, a review of commissioning (due to be completed in the summer) and the implementation of the revised constitution as above.

#### Asset management contracts

A review of use of the corporate standing list of building contractors was undertaken during May to June 2005 and 9 recommendations were made to address concerns in the procurement process. Further audit work on requisitioning, ordering and payments was undertaken in October 2005 when an additional 19 recommendations were made. The second review also contained 11 common recommendations previously reported during the routine examination of contractors' final accounts.

Based on the audit work undertaken, required improvements were identified in order to ensure compliance with financial and contract procedure rules (e.g. acting under urgency, seeking quotations, documenting proper authorisations of requisitions and orders), use and monitoring of the corporate standing list, filing of documentation, managing variations to contracts, procurement of agency staff, architect's instructions, contract time extensions and the need to procure large scale call-off contracts.

Although management issued new staff procedures to help address some of the weaknesses, it was not possible to make required strategic decisions during negotiations for a strategic partner and concerns remain over the probity of systems employed. However, a management action plan has now been adopted for the unit as part of the Strategic Transformation project which incorporates actions aimed to address all audit findings.

#### External Audit Work

Management has acknowledged that whilst improvements in grant claim processing has occurred; two areas of control weakness were identified in the external audit letter in respect of sure start grant schemes and the 2004/5 housing benefits and council tax benefits subsidy claim:

- The claims for Sure Start schemes were submitted for audit after the due date. As a result, external audit were unable to complete the audits by the required time and the council

suffered a cash flow loss. Management are in discussion with its external contractor Education Walsall, which is responsible for submission of the claims, to move this forward for the future.

- The audit of the 2004/5 housing and council tax subsidy claim was protracted, resulting in a change to the accounts (an error of £750k offset by £500k of ineligible expenditure, resulting in a net £250k gain to the council). In addition, a number of control issues were identified, including the backlog in processing new benefit claims. Management has identified the reasons for the higher than usual level of errors as a) the pressures caused by the introduction of a new system in July 2005 and b), the loss of key staff and higher than usual use of agency staff.

The work of external audit also reiterated that of internal audit in respect of;

- Benefits, in that action is needed to improve the performance of the service, including time taken to process new claims,
- Ensuring there is a greater understanding of financial and contract procedural roles across the Authority,

The District Auditor is currently undertaking an investigation into a recent employment tribunal case. The investigation is essentially intended to establish what went wrong, and in particular to identify:

- gaps or weaknesses in the council's procedures
- where those procedures were not followed, and why.

It will consider areas such as the line management of the claimant, the provision of HR support and the taking and following of legal advice. It will also consider how the council has handled the subsequent claim, including obtaining external legal advice and the provision of information to councillors.

At the point of writing this statement, the investigation and report is not concluded.

Action plans are in place for each significant control weakness and follow up management and audit action is taken on each. Formal progress is reported to the Audit Committee. Executive Directors have further provided assurance that all internal control weaknesses identified have actions plan in place, which are robustly being managed and implemented.



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**  
**Chief Financial Officer**  
**29 June 2006**

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**  
**29 June 2006**

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**  
**29 June 2006**

## Section 4

## Main financial statements

## Consolidated Revenue Account

| 2004/05<br>Net<br>Expenditure<br>£m | Service   | 2005/06                    |                       |                          |
|-------------------------------------|---|----------------------------|-----------------------|--------------------------|
|                                     |   | Gross<br>Expenditure<br>£m | Gross<br>Income<br>£m | Net<br>Expenditure<br>£m |
| 1.704                               | Central services to the public  | 6.046                      | 4.370                 | 1.676                    |
| 42.575                              | Cultural, environmental & planning services   | 80.993                     | 32.472                | 48.521                   |
| 184.886                             | Education services  | 254.509                    | 60.563                | 193.946                  |
| 13.246                              | Highways, roads & transport services  | 18.659                     | 6.044                 | 12.615                   |
| 9.477                               | Housing services (general fund)   | 97.153                     | 85.242                | 11.911                   |
| 85.987                              | Social care   | 150.834                    | 58.980                | 91.854                   |
| 0.833                               | Court services  | 0.462                      | 0.121                 | 0.341                    |
| 8.014                               | Corporate & democratic core   | 14.237                     | 4.983                 | 9.254                    |
| 1.073                               | Non-distributed costs.  | (9.066)                    | 0                     | (9.066)                  |
| <b>347.795</b>                      | <b>Net cost of general fund services</b>  | <b>613.827</b>             | <b>252.775</b>        | <b>361.052</b>           |
|                                     | <b>Other operating costs:</b>   |                            |                       |                          |
| 0.074                               | Environment Agency Levy   |                            |                       | 0.079                    |
| 11.381                              | West Midlands Transport Levy  |                            |                       | 12.235                   |
| (0.725)                             | Interest and investment income (Surpluses) / Deficits on trading undertakings (See Note 2 ) |                            |                       | (1.020)                  |
| 1.699                               | Pension interest costs & expected return on pensions assets                                 |                            |                       | 1.887                    |
| 7.377                               | Transfer from Asset Management Revenue Account (See Note 3)                                 |                            |                       | 8.063                    |
| (25.797)                            |   |                            |                       | (35.034)                 |
| <b>341.804</b>                      | <b>Net operating expenditure</b>  |                            |                       | <b>347.262</b>           |
|                                     | <b>Appropriations to or from reserves:</b>  |                            |                       |                          |
| (3.749)                             | Capital financing account (MRP adjustment)  |                            |                       | 7.363                    |
| (0.042)                             | Miscellaneous balances  |                            |                       | 0                        |
| (5.081)                             | Other earmarked reserves  |                            |                       | (2.446)                  |
| (8.386)                             | Pension reserve   |                            |                       | 0.232                    |
| 3.275                               | Schools   |                            |                       | 0.037                    |
| 0.628                               | Community associations  |                            |                       | (0.884)                  |
| (4.899)                             | Deferred charges  |                            |                       | (8.154)                  |
| <b>323.550</b>                      | <b>Amount to be met from government grants and local taxation</b>                           |                            |                       | <b>343.410</b>           |

Non-distributed costs are showing a credit of £9.066 million. Within this £8.700 million is due to changes to the scheme benefits introduced in April 2005 for the West Midlands Authorities Pension Fund.

| 2004/05<br>Net Expenditure<br>£m | Service  | 2005/06                    |                       |                          |
|----------------------------------|--|----------------------------|-----------------------|--------------------------|
|                                  |  | Gross<br>Expenditure<br>£m | Gross<br>Income<br>£m | Net<br>Expenditure<br>£m |
| 0                                | <b>This was financed by:</b>                                   |                            |                       | 0                        |
| (84.530)                         | Collection fund surplus  |                            |                       | (87.670)                 |
| (70.510)                         | Council tax  |                            |                       | (84.114)                 |
| (166.273)                        | Non-domestic rate income                                       |                            |                       | (170.684)                |
| 0                                | Revenue support grant  |                            |                       | (0.002)                  |
| (321.313)                        | RSG support from balances                                      |                            |                       | (342.470)                |
| <b>2.237</b>                     | <b>(Surplus)/ deficit for the year</b>                         |                            |                       | <b>0.940</b>             |
| (8.865)                          | General reserve balances at<br>start of the year               |                            |                       | (6.628)                  |
| 0                                | Allocation to earmarked<br>reserves                            |                            |                       | 0.393                    |
| <b>(6.628)</b>                   | <b>Leaving year end general<br/>reserves of: (See Note 33)</b> |                            |                       | <b>(5.295)</b>           |

Supporting notes 1 to 19 on pages 23 to 32 provide additional detail to support the consolidated revenue account.

## Consolidated Balance Sheet

This statement summarises the council's financial position as at 31 March 2006. 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 2005<br>£m | Consolidated balance sheet                           | 31 March 2006<br>£m | Notes            |
|---------------------|--|---------------------|------------------|
|                     | <b>Long term assets</b>                              |                     |                  |
| 0.082               | Intangible fixed assets                              | 0.275               | 20               |
| 859.052             | Tangible fixed assets                                | 864.196             | 21               |
| 17.546              | Long term investments                                | 20.546              | 22               |
| 12.845              | Long term debtors                                    | 11.725              | 23               |
| 889.525             |  | 896.742             |                  |
|                     | <b>Current assets</b>                                |                     |                  |
| 1.011               | Stocks and work in progress                          | 0.852               | 24               |
| 53.415              | Debtors  | 45.324              | 25               |
| 46.587              | Investments  | 36.156              | 26               |
| 0                   | Landfill Allowance Trading Scheme                    | 1.688               | 27               |
| 2.814               | Cash in hand   | 3.566               | 28               |
| 103.827             |  | 87.586              |                  |
|                     | <b>Current liabilities</b>                           |                     |                  |
| (9.874)             | Cash overdrawn                                       | 0                   | 28               |
| (2.986)             | Borrowing repayable on demand or within<br>12 months | (0.365)             | 29               |
| 0                   | Landfill Allowance Trading Scheme                    | (1.481)             | 27               |
| (50.112)            | Creditors  | (42.797)            | 30               |
| (62.972)            |  | (44.643)            |                  |
| <b>930.380</b>      | <b>Total assets less current liabilities</b>         | <b>939.685</b>      | <b>939.685</b>   |
|                     | <b>Long term liabilities</b>                         |                     |                  |
| (199.498)           | Long term borrowing                                  | (225.334)           | 31               |
| (8.494)             | Provisions   | (10.453)            | 32               |
| (236.676)           | Defined benefit pension scheme                       | (236.550)           | 41               |
|                     |  | (472.337)           |                  |
| <b>485.712</b>      | <b>Total assets less liabilities</b>                 | <b>467.348</b>      | <b>467.348</b>   |
|                     | <b>Revenue Reserves</b>                              |                     |                  |
| (6.628)             | General Fund reserve                                 | (5.295)             | 33               |
| 0.789               | Collection Fund reserve                              | 0.788               | 34               |
| (22.183)            | Other earmarked reserves                             | (21.441)            | 35               |
|                     |  | (25.948)            |                  |
|                     | <b>Capital Reserves</b>                              |                     |                  |
| (27.992)            | Usable capital receipts reserve                      | (26.211)            | 36               |
| (3.999)             | Deferred credits                                     | (3.637)             | 37               |
| (2.070)             | Deferred premiums reserve                            | (1.556)             | 38               |
| (317.647)           | Capital financing account                            | (320.061)           | 39               |
| (22.064)            | Deferred government grants and<br>contributions      | (31.631)            | 39               |
| (320.594)           | Fixed asset restatement account                      | (294.855)           | 40               |
|                     |  | (677.951)           |                  |
| 236.676             | <b>Pensions reserve</b>                              | 236.551             | 41               |
| <b>(485.712)</b>    | <b>Total reserves and balances</b>                   | <b>(467.348)</b>    | <b>(467.348)</b> |

Notes 20 to 57 on pages 32 to 49 provide additional detail to support the consolidated balance sheet statement.

## 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.

| 2004/05<br>£m    | Statement of total movements in reserves  | 2005/06<br>£m   |                 |
|------------------|---|-----------------|-----------------|
| (0.111)          | General Fund surplus / (deficit) (See note 33)  | (0.940)         |                 |
| (2.126)          | Housing Revenue Account surplus / (deficit)   | 0               |                 |
| (1.384)          | Add back movements on earmarked revenue reserves  | (1.134)         |                 |
| (21.797)         | Deduct appropriation from pension reserves  | (16.324)        |                 |
| (74.360)         | Actuarial gains and losses relating to pensions (See note 41)                                     | (0.106)         |                 |
| <b>(99.778)</b>  | <b>Total increase/(decrease) in revenue resources (See Notes 33-35)</b>                           |                 | <b>(18.504)</b> |
| 0.541            | Increase / (decrease) in useable capital receipts   | (2.021)         |                 |
| 4.348            | Increase / (decrease) in unapplied capital grants and contributions                               | 0.240           |                 |
| (0.987)          | Deferred Credits  | (0.876)         |                 |
| <b>3.902</b>     | <b>Total increase/(decrease) in realised capital resources (See Notes 36, 37, 38)</b>             |                 | <b>(2.657)</b>  |
| (31.460)         | Gains/(losses) on revaluation of fixed assets   | (26.112)        |                 |
| -                | Impairment losses on fixed assets due to general changes in prices                                | 0               |                 |
| -                | Gains/(losses) on market value of investments   | 0               |                 |
| <b>(31.460)</b>  | <b>Total unrealised increase/(decrease) in value of fixed assets (See Note 40)</b>                |                 | <b>(26.112)</b> |
| <b>(0.992)</b>   | <b>Value of assets sold, decommissioned or realised (See Note 40)</b>                             | <b>0.373</b>    | <b>0.373</b>    |
| 0.276            | Capital receipts set aside  | 0               |                 |
| 2.511            | Revenue resources set aside   | 2.414           |                 |
| 1.530            | Movement on government grants deferred  | 9.567           |                 |
| <b>4.317</b>     | <b>Total increase/(decrease) in amounts set aside to finance capital investment (See Note 39)</b> |                 | <b>11.981</b>   |
| <b>13.411</b>    | <b>Increase/(decrease) on the pensions reserve (See Note 41)</b>                                  | <b>16.556</b>   | <b>16.556</b>   |
| <b>(110.600)</b> | <b>Total recognised gains and losses</b>  | <b>(18.363)</b> | <b>(18.363)</b> |

See pages 46 to 47 for further details of revenue and pensions reserve movements (Note 51) and capital reserve movements (Note 52).

## The Cashflow Statement

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

| 2004/05<br>£m    | Cashflow statement                                | 2005/06<br>£m |                 |
|------------------|---|---------------|-----------------|
|                  | <b>Revenue activities</b>                         |               |                 |
|                  | <b>Cash outflows</b>                              |               |                 |
| 241.275          | Cash paid to employees                            | 274.029       |                 |
| 222.306          | Other operating costs                             | 266.423       |                 |
| 59.447           | NNDR payments to national pool                    | 63.560        |                 |
| 54.459           | Housing benefit paid                              | 58.596        |                 |
| 21.595           | Precepts  | 21.805        |                 |
| <b>599.082</b>   |   |               | 684.413         |
|                  | <b>Cash inflows</b>                               |               |                 |
| (1.891)          | Rent  | (1.792)       |                 |
| (73.056)         | Council tax/community charge<br>Precept income    | (77.166)      |                 |
|                  |   | 0             |                 |
| (73.384)         | NNDR from pool                                    | (84.114)      |                 |
| (59.465)         | NNDR collected                                    | (63.553)      |                 |
| (166.273)        | Revenue support grant                             | (170.684)     |                 |
| (80.110)         | DWP grants for benefits                           | (82.646)      |                 |
| (103.858)        | Other government grants                           | (114.827)     |                 |
| (54.770)         | Operating cash receipts & income                  | (97.249)      |                 |
| <b>(612.807)</b> |   |               | (692.031)       |
| <b>(13.275)</b>  | <b>Revenue activities net cashflow</b>            |               | <b>(7.618)</b>  |
|                  | <b>Servicing of finance</b>                       |               |                 |
| 9.114            | Interest paid                                     | 9.866         |                 |
| 0                | Interest element of finance lease rentals         | 0             |                 |
| (3.016)          | Interest received                                 | (5.768)       |                 |
| <b>6.098</b>     |   |               | <b>4.098</b>    |
|                  | <b>Capital activities</b>                         |               |                 |
| 0                | Purchase of fixed assets                          | 0             |                 |
| 9.000            | Purchase of long term investments                 | 3.000         |                 |
| 46.989           | Other capital cash payments                       | 60.082        |                 |
| <b>55.989</b>    |   |               | <b>63.082</b>   |
| (3.424)          | Sale of fixed assets                              | (4.564)       |                 |
| (17.053)         | Capital grants                                    | (31.516)      |                 |
| (1.470)          | Other capital cash receipts                       | (0.455)       |                 |
| <b>(21.947)</b>  |   |               | <b>(36.535)</b> |
| <b>(26.415)</b>  | <b>Net cash outflow/(inflow) before financing</b> |               | <b>23.027</b>   |
|                  | <b>Financing</b>                                  |               |                 |
| 83.820           | Repayments of amounts borrowed                    | 6.363         |                 |
| (97.469)         | New loans raised                                  | (29.585)      | (23.222)        |
| <b>12.766</b>    | <b>Net change in cash and equivalents</b>         |               | <b>(0.195)</b>  |

Supporting notes 53 to 57 on pages 48 to 49 provide additional detail to support the council's cashflow statement.

## Section 5

# Notes to the main financial statements

### 1. Audit costs

In 2005/06 Walsall Council incurred fees for external audit and inspection of £0.444 million (£0.545 million in 2004/05), of which £0.147 million related to grant claims (£0.153 million in 2004/05) and £0.296 million related to core and other work (£0.392 million in 2004/05).

### 2. Trading account summary

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

| 2004/05<br>(Surplus)/ Deficit<br>£m | Trading account summary   | 2005/06         |                   |                              |
|-------------------------------------|---------------------------|-----------------|-------------------|------------------------------|
|                                     |                           | Income<br>£m    | Expenditure<br>£m | (Surplus) /<br>Deficit<br>£m |
| 0.394                               | Internal support services | (10.450)        | 10.931            | 0.481                        |
| (0.296)                             | Markets                   | (0.790)         | 0.690             | (0.100)                      |
| 0.383                               | Cleaning & Caretaking     | (4.319)         | 5.055             | 0.736                        |
| 1.218                               | Catering                  | (3.315)         | 4.085             | 0.770                        |
| <b>1.699</b>                        | <b>Total</b>              | <b>(18.874)</b> | <b>20.761</b>     | <b>1.887</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        |               |               |                             |               |               |
|---|---------------|---------------|-----------------------------|---------------|---------------|
|   | 2004/05<br>£m | 2005/06<br>£m |                             | 2004/05<br>£m | 2005/06<br>£m |
| Provision for depreciation              | 20.725        | 20.809        | Capital charges to services | 42.478        | 41.766        |
| External interest paid                  | 8.214         | 8.783         | Release of Government grant | 11.789        | 21.708        |
| Amortisation of intangible assets       | 0.009         | 0.042         | Discounts on premature debt | 1.387         | 1.263         |
| Premiums premature debt                 | 0.909         | 0.069         |                             |               |               |
| Balance to consolidated revenue account | 25.797        | 35.034        |                             |               |               |
|   | <b>55.654</b> | <b>64.737</b> |                             | <b>55.654</b> | <b>64.737</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. Financial and legal support to charitable organisations during the year was £0.485 million (£0.504 million in 2004/05).

## 5. Expenditure in accordance with s.5(i) Local Government Act 1986

£1.961 million was incurred on publicity in 2005/06 (£2.024 million in 2004/05) of which £1.037 million was on staff advertising (£1.100 million in 2004/05).

## 6. Markets undertaking

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

| 2004/05<br>£m  | Markets undertaking                             | 2005/06<br>£'000 |
|----------------|---|------------------|
| (1.148)        | Income from stallholders                        | (0.790)          |
| 0.852          | Less expenditure                                | 0.690            |
| <b>(0.296)</b> | <b>(Surplus)/ Deficit taken to general fund</b> | <b>(0.100)</b>   |

## 7. Agency services

The authority acts as agent for South Staffordshire Water Company, receiving payments for water rates on their behalf for which commission of £0.011 million was received (£0.002 million in 2004/05). We also receive commission from WHG and WATMOS acting on their behalf. We received commission totalling £0.010 million for this (nil 2004/05).

## 8. Minimum revenue provision

In accordance with the requirements of the Local Government Act 2003 to provide a minimum revenue provision for the redemption of debt, a net amount of £5.880 million (£4.794 million in 2004/05) was charged to the revenue account. This takes into account an adjustment for the commutation of specific loan grants as shown in the table below.

| 2004/05<br>£m |                              | 2005/06<br>£'000 |
|---------------|------------------------------|------------------|
| 6.853         | MRP – non housing 4%         | 7.492            |
| (2.059)       | LESS: commutation adjustment | (1.612)          |
| <b>4.794</b>  | <b>Total</b>                 | <b>5.880</b>     |

Under the Prudential Code for Capital Finance, local authorities may make additional voluntary contributions where it is considered prudent to do so. In 2005/06 Walsall charged an additional £0.626 million (£0.403 million in 2004/05) 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:

| 2004/05    | Remuneration Band   | 2005/06    |
|------------|---------------------|------------|
| 62         | £50,000 - £59,999   | 102        |
| 27         | £60,000 - £69,999   | 25         |
| 13         | £70,000 - £79,999   | 12         |
| 1          | £80,000 - £89,999   | 6          |
| 1          | £90,000 - £99,999   | 1          |
| 1          | £100,000 - £109,999 | 1          |
| 3          | £110,000 - £119,999 | 3          |
| 0          | £140,000 - £149,999 | 0          |
| 1          | £160,000 - £169,999 | 0          |
| 0          | £170,000 - £179,999 | 1          |
| 1          | £210,000 - £219,999 | 0          |
| <b>110</b> | <b>Total</b>        | <b>151</b> |

## 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:

| 2004/05<br>£m | Local Authority (Goods & Services) Act 1970         | 2005/06<br>£m |
|---------------|---|---------------|
| 0.017         | Beechdale Community Housing Association             | 0.017         |
| 0.020         | Starting Point                                      | 0.024         |
| 0.009         | Black Country Connexions                            | 0.007         |
| 0.516         | Serco/Foundation Schools                            | 0.546         |
| 0.001         | Black Country Supply Service                        | 0.001         |
| 0.526         | Walsall Housing Group                               | 0.499         |
| 0.096         | Walsall Alliance of Tenant Management Organisations | 0.099         |
| <b>1.185</b>  | <b>Total</b>  | <b>1.193</b>  |

## 11. Members' allowances

The allowances paid to elected members of the council were:

| 2004/05<br>£m | Type of Allowance                 | 2005/06<br>£m |
|---------------|-----------------------------------|---------------|
| 0.584         | Basic allowances                  | 0.592         |
| 0.161         | Special responsibility allowances | 0.176         |
| <b>0.745</b>  | <b>Total</b>                      | <b>0.768</b>  |

## 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.

| 2004/05<br>£m | PFI Project                  | 2005/06<br>£m |
|---------------|------------------------------|---------------|
| 0.023         | Street lighting              | 0.027         |
| 0.100         | Integrated transport project | 0             |
| <b>0.123</b>  | <b>Total</b>                 | <b>0.027</b>  |

## 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                            | £m            |
|---------------------------------|---------------|
| 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 4 years of a 25-year Public Lighting PFI contract for the replacement and 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 overleaf details the predicted payments to the contractor over the life of the agreement.

| Year                            | £m             |
|---------------------------------|----------------|
| Year 1 of the agreement         | 1.827          |
| Years 2 to 5 of the agreement   | 12.656         |
| Years 6 to 10 of the agreement  | 20.166         |
| Years 11 to 15 of the agreement | 22.554         |
| Years 16 to 20 of the agreement | 25.243         |
| Years 21 to 25 of the agreement | 34.314         |
| <b>Total</b>                    | <b>116.760</b> |

## 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 18. Details of other grants received are analysed as part of the cash flow statement (notes 55 & 56, page 49).

**Local Authorities** - Please refer to note 10, page 25 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 52). In addition to the precepts, the council has made other payments to the Police Authority totalling £0.449 million and received income from them totalling £0.012 million. In addition to the precepts, the council has made other payments to the Fire Authority totalling £0.003 million and received no additional income from them. Other than the levy from the West Midlands Passenger Transport Executive (WMPTE), the council made additional payments of £0.020 million and received income from them of £0.182million.

Grants have been made to Walsall teaching Primary Care Trust (tPCT) of £0.243 million through the Neighbourhood Renewal Fund.

**Associated Companies** - Please refer to note 50 page 45.

**Joint Venture Partners** - Please refer to note 17, Page 28.

**Pension Fund** - Details of pension costs can be found in notes 18 and 19, pages 29 to 32.

**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 £3.052 million paid by the council and income of £4.884 million received by the council. Within these transactions is expenditure of £1.697 million and income of £3.279 million from Walsall Housing Group (WHG), income of £1.137 million from Steps to Work plus expenditure of £1.007 million to Walsall Citizens Advice Bureau. Details of allowances paid to members are shown in note 11 on page 25.

**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 £0.407 million and receipts of £0.007 million.

**Other Organisations** - The council has made grants to voluntary organisations amounting to £9.706 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 of £3.000 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.

| 2004/05<br>Total<br>£m | Building regulations<br>charging account | 2005/06          |                      |                |
|------------------------|--|------------------|----------------------|----------------|
|                        |  | Chargeable<br>£m | Non-chargeable<br>£m | Total<br>£m    |
|                        | <b>Expenditure</b>                       |                  |                      |                |
| 0.407                  | Employee expenses                        | 0.308            | 0.105                | 0.413          |
| 0.021                  | Transport                                | 0.014            | 0.003                | 0.017          |
| 0.088                  | Supplies & services                      | 0.067            | 0.056                | 0.123          |
| 0.208                  | Central support charges                  | 0.158            | 0.052                | 0.210          |
| <b>0.724</b>           | <b>Total expenditure</b>                 | <b>0.547</b>     | <b>0.216</b>         | <b>0.763</b>   |
|                        | <b>Income</b>                            |                  |                      |                |
| (0.478)                | Building regulation charges              | (0.504)          | 0                    | (0.504)        |
| (0.101)                | Miscellaneous income                     | (0.055)          | (0.011)              | (0.066)        |
| <b>(0.579)</b>         | <b>Total income</b>                      | <b>(0.559)</b>   | <b>(0.011)</b>       | <b>(0.570)</b> |
| <b>0.145</b>           | <b>(Surplus)/ deficit for year</b>       | <b>(0.012)</b>   | <b>0.205</b>         | <b>0.193</b>   |

This account must break even over each three-year period. The net position over the three years 2003/04 to 2005/06 was a small surplus of £0.097 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 both an integrated health and social care service for adults with learning disabilities, and an integrated community equipment service with pooled fund arrangements. Each partner makes a contribution to a pooled budget with the aim of focusing services and activities for service users. Both pooled budget accounts showed an under spend for 2005/06. Health and social care service £0.147 million 2005/06 (£0.090 million 2004/05). Integrated community equipment service £0.183 million 2005/06 (n/a for 2004/05). The details of which are as follows: (see overleaf)

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

| 2004/05<br>£m<br>Total | Pooled fund memorandum<br>account | 2005/06         |                |                 |
|------------------------|-----------------------------------|-----------------|----------------|-----------------|
|                        |                                   | £m<br>Cash      | £m<br>Grant    | £m<br>Total     |
|                        | <b>Gross funding:</b>             |                 |                |                 |
| (11.319)               | Walsall tPCT                      | (12.778)        | (0.215)        | (12.993)        |
| (11.489)               | Walsall Council                   | (12.847)        | (0.805)        | (13.652)        |
| <b>(22.808)</b>        |                                   | <b>(25.625)</b> | <b>(1.020)</b> | <b>(26.645)</b> |
|                        | <b>Expenditure:</b>               |                 |                |                 |
| 1.396                  | Integrated Team                   | 1.231           | 0.363          | 1.594           |
| 5.399                  | Community Support                 | 6.491           | 0.210          | 6.701           |
| 2.569                  | Day Care                          | 2.576           | 0.044          | 2.620           |
| 9.560                  | Residential & Nursing             | 9.398           | 0.403          | 9.801           |
| 0.918                  | Supported Employment              | 0.947           | 0              | 0.947           |
| 0                      | Staffing Costs                    | 0.284           | 0              | 0.284           |
| 0                      | Premises/Facilities               | 0.180           | 0              | 0.180           |
| 0                      | Transport                         | 0.004           | 0              | 0.004           |
| 0                      | Equipment – Walsall Council       | 0.332           | 0              | 0.332           |
| 0                      | Equipment - tPCT                  | 0.175           | 0              | 0.175           |
| 1.833                  | Psychiatric & Medical             | 2.404           | 0              | 2.404           |
| 1.043                  | Management & Administration       | 1.273           | 0              | 1.273           |
| <b>22.718</b>          |                                   | <b>25.295</b>   | <b>1.020</b>   | <b>26.315</b>   |
| <b>(0.090)</b>         | <b>Net (Under)/Over spend</b>     | <b>(0.330)</b>  | <b>0</b>       | <b>(0.330)</b>  |

## 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 2005/06 the council paid £11.52 million (£10.96 million in 2004/05) to the Pensions Agency in respect of teachers' pensions costs which represents 13.5% (13.5% in 2004/05) 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, page 30.

The authority is also liable to pay the costs of additional benefits awarded as part of the 1974 reorganisation of local government. In 2005/06 the council paid £13,703 (£18,668 in 2004/05) to Staffordshire County Council for these costs. The anticipated future liability for these benefits is approximately £60,000.

## 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 |               |
|--|---------------|---|---------------------------------|---------------|
| 2004/05<br>£m                          | 2005/06<br>£m |   | 2004/05<br>£m                   | 2005/06<br>£m |
|  |               | <b>Net cost of services</b>   |                                 |               |
| (13.736)                               | (16.799)      | Current service costs   | 0                               | 0             |
| (0.684)                                | 8.538         | Past service costs  | 0                               | 0             |
| 0                                      | 0             | Curtailment costs   | 0                               | 0             |
| 0                                      | 0             | Settlement gain   | 0                               | 0             |
|  |               | <b>Net operating expenditure</b>  |                                 |               |
| (28.177)                               | (30.249)      | Interest cost   | (0.784)                         | (0.741)       |
| 21.584                                 | 22.927        | Expected return on assets in the scheme                                   | 0                               | 0             |
|  |               | <b>Amounts to be met from government grants and local taxation</b>        |                                 |               |
| 8.681                                  | 0.133         | Appropriations to/from pensions reserve                                   | (0.295)                         | (0.365)       |
|  |               | <b>Actual amount charged against council tax for pensions in the year</b> |                                 |               |
| (12.332)                               | (15.450)      | Employers' contributions payable to scheme                                | 0                               | 0             |
| 0                                      | 0             | Retirement benefits payable to pensioners                                 | (1.079)                         | (1.106)       |

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March 2006 are as follows:

|                                 | West Midlands Authorities Pension Fund |                  | Unfunded Teachers Pension Costs |                 | Total            |                  |
|---------------------------------|--|------------------|---------------------------------|-----------------|------------------|------------------|
|                                 | 2004/05<br>£m                          | 2005/06<br>£m    | 2004/05<br>£m                   | 2005/06<br>£m   | 2004/05<br>£m    | 2005/06<br>£m    |
| Estimated liabilities in scheme | (560.198)                              | (643.918)        | (14.274)                        | (14.589)        | (574.472)        | (658.507)        |
| Estimated assets in scheme      | 337.796                                | 421.956          | 0                               | 0               | 337.796          | 421.956          |
| <b>Net asset/(liability)</b>    | <b>(222.402)</b>                       | <b>(221.962)</b> | <b>(14.274)</b>                 | <b>(14.589)</b> | <b>(236.676)</b> | <b>(236.551)</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' pension 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:

| Financial assumptions        | West Midlands Authorities Pension Fund |         | Unfunded Teachers Pensions |         |
|------------------------------|--|---------|----------------------------|---------|
|                              | 2004/05                                | 2005/06 | 2004/05                    | 2005/06 |
| Rate of inflation            | 2.90%                                  | 2.90%   | 2.90%                      | 2.90%   |
| Rate of increase in salaries | 4.65%                                  | 4.65%   | N/A                        | N/A     |
| Rate of increase in pensions | 2.90%                                  | 2.90%   | 2.90%                      | 2.90%   |
| Discount rate                | 5.40%                                  | 4.90%   | 5.40%                      | 4.90%   |

The unfunded teachers' pensions have no assets to cover their liabilities.

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: (see overleaf)

|  | <b>West Midlands Authorities Pension Fund</b> |                             |                            |                             |
|--|---|-----------------------------|----------------------------|-----------------------------|
|  | <b>2004/05</b><br><b>%</b>                    | <b>2004/05</b><br><b>£m</b> | <b>2005/06</b><br><b>%</b> | <b>2005/06</b><br><b>£m</b> |
| <b>Expected rate of return on assets</b>   |   |                             |                            |                             |
| - Equities                                 | 7.50%   |                             | 7.00%                      |                             |
| - Government bonds                         | 4.70%   |                             | 4.30%                      |                             |
| - Other bonds                              | 5.40%   |                             | 4.90%                      |                             |
| - Property                                 | 6.50%   |                             | 6.00%                      |                             |
| - Other                                    | 4.75%   |                             | 4.50%                      |                             |
| <b>Split between investment categories</b> |   |                             |                            |                             |
| - Equities                                 | 75.30%  | 254.023                     | 77.00%                     | 324.906                     |
| - Government bonds                         | 9.40%   | 31.753                      | 8.00%                      | 33.756                      |
| - Other bonds                              | 4.50%   | 15.201                      | 5.00%                      | 21.098                      |
| - Property                                 | 7.20%   | 24.321                      | 7.00%                      | 29.537                      |
| - Other                                    | 3.60%   | 12.498                      | 3.00%                      | 12.659                      |
| <b>Total</b>                               | <b>100%</b>                                   | <b>337.796</b>              | <b>100.00%</b>             | <b>421.956</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.

| <b>2004/05</b><br><b>£m</b> | <b>Intangible Fixed Assets</b>    | <b>2005/06</b><br><b>£m</b> |
|-----------------------------|-----------------------------------|-----------------------------|
| 0                           | Balance brought forward           | 0.082                       |
| 0.091                       | Addition of intangible assets     | 0.235                       |
| (0.009)                     | Amortisation of intangible assets | (0.042)                     |
| 4.899                       | Deferred Charges                  | 8.154                       |
| (4.899)                     | Deferred Charges - write-off      | (8.154)                     |
| <b>0.082</b>                | <b>Total</b>                      | <b>0.275</b>                |



## 21. Tangible fixed assets

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

| Tangible fixed assets                       | Infra-structure<br>£m | Other land and buildings<br>£m | Vehicles plant and eqpt<br>£m | Community assets<br>£m | Non operational assets<br>£m | Other capital outlay<br>£m | Total<br>£m    |
|---|-----------------------|--------------------------------|-------------------------------|------------------------|------------------------------|----------------------------|----------------|
| Gross book value as at 31 March 2005        | 80.723                | 765.607                        | 2.655                         | 0                      | 30.792                       | 0                          | 879.777        |
| Depreciation as at 31 March 2005            | (3.995)               | (16.072)                       | (0.550)                       | 0                      | (0.108)                      | 0                          | (20.725)       |
| <b>Net book value as at 31 March 2005</b>   | <b>76.728</b>         | <b>749.535</b>                 | <b>2.105</b>                  | <b>0</b>               | <b>30.684</b>                | <b>0</b>                   | <b>859.052</b> |
| Revaluations and Restatements               | 0                     | (3.252)                        | 0                             | 13.758                 | 3.298                        | 0                          | 13.804         |
| Expenditure for capital purposes            | 14.995                | 20.864                         | 4.311                         | 2.192                  | 0.048                        | 10.051                     | 52.461         |
| Non-added value                             | (14.995)              | (15.727)                       | (4.311)                       | (2.192)                | (0.048)                      | (1.897)                    | (39.170)       |
| Additions                                   | 0                     | 0                              | 0.274                         | 0                      | 7.112                        | 0                          | 7.386          |
| Disposals                                   | 0                     | (0.335)                        | 0                             | 0                      | (0.038)                      | 0                          | (0.373)        |
| Deferred charges & other adjustments        | 0                     | (2.200)                        | 0                             | 0                      | 2.200                        | (8.155)                    | (8.155)        |
| <b>Gross Book value as at 31 March 2006</b> | <b>76.728</b>         | <b>748.885</b>                 | <b>2.379</b>                  | <b>13.758</b>          | <b>43.256</b>                | <b>(0.001)</b>             | <b>885.005</b> |
| Depreciation for year                       | (3.995)               | (15.980)                       | (0.675)                       | 0                      | (0.159)                      | 0                          | (20.809)       |
| <b>Net book value as at 31 March 2006</b>   | <b>72.733</b>         | <b>732.905</b>                 | <b>1.704</b>                  | <b>13.758</b>          | <b>43.097</b>                | <b>(0.001)</b>             | <b>864.196</b> |

The £13.758 million Community Assets revaluation and restatement represents the value of art works being held by the authority in the New Art Gallery £11.808 million, Leather Museum £0.750 million and Walsall Museum £1.200 million.

The service breakdown of capital expenditure and the financing of capital expenditure is shown in note 44, page 43.

## 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.

| 2004/05<br>£m | Long term investments  | 2005/06<br>£m |
|---------------|--|---------------|
| 9.000         | Investments – Other financial institutions and public bodies | 12.000        |
| 5.174         | Birmingham Airport Holdings Ltd:                             | 5.174         |
| 1.531         | - Ordinary share   | 1.531         |
| 1.841         | - Preference shares  | 1.841         |
|               | - Loan stock   |               |
| <b>17.546</b> | <b>Total</b>   | <b>20.546</b> |

## 23. Long term debtors

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

| 2004/05<br>£m | Long term debtors                          | 2005/06<br>£m |
|---------------|--|---------------|
| 0.519         | Other local authorities                    | 0.139         |
| 1.873         | Probation                                  | 1.788         |
| 0.385         | Wolverhampton University Walsall campus    | 0             |
| 9.327         | Waste disposal co-ordination               | 9.238         |
| 0.689         | Mortgages                                  | 0.521         |
| 0.052         | Other long term loans - employee car loans | 0.039         |
| <b>12.845</b> | <b>Total</b>                               | <b>11.725</b> |

## 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.

| 2004/05<br>£m | Stocks and work in progress | 2005/06<br>£m |
|---------------|-----------------------------|---------------|
|               | Stocks:                     |               |
| 0.010         | Disinfestation Stores       | 0.010         |
| 0.133         | Reprographics               | 0.129         |
| 0.004         | Small Tools and Plant       | 0.011         |
| 0.036         | Stationery                  | 0.048         |
| 0.457         | Trading Operations          | 0.343         |
| 0.356         | Miscellaneous               | 0.307         |
| 0.015         | Foundation schools          | 0.004         |
| <b>1.011</b>  | <b>Total</b>                | <b>0.852</b>  |

## 25. Debtors

The table shows the amounts owed to the council for which payments have not been received by 31 March 2006, but which should be repaid within one year.

| <b>2004/05<br/>£m</b> | <b>Debtors</b>              | <b>2005/06<br/>£m</b> |
|-----------------------|-----------------------------|-----------------------|
| 23.961                | Government departments      | 18.216                |
| 1.592                 | Other local authorities     | 0.632                 |
| 6.035                 | Council tax                 | 7.919                 |
| 2.477                 | National non-domestic rates | 3.685                 |
| 0.005                 | Community charge/poll tax   | 0.005                 |
| 0.538                 | Housing rents               | 0.538                 |
| 25.704                | Other                       | 23.523                |
| 60.312                | <b>Total</b>                | 54.518                |
| (6.897)               | Provision for bad debts     | (9.194)               |
| <b>53.415</b>         | <b>Total</b>                | <b>45.324</b>         |

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 £9.194 million, of this £5.082 million relates to council tax, £0.005 million relates to community charge/poll tax and £0.784 million relates to national non-domestic rates. A balance of £3.323 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 management policy statement.

| <b>2004/05<br/>£m</b> | <b>Short Term Investments</b>                  | <b>2005/06<br/>£m</b> |
|-----------------------|--|-----------------------|
| 46.587                | Other financial institutions and public bodies | 36.156                |
| <b>46.587</b>         | <b>Total</b>                                   | <b>36.156</b>         |

## 27. Landfill Allowance Trading Scheme (LATS)

From 1 April 2005 the landfill allowance trading scheme has been operating. This allows local authorities in England and Wales to trade landfill allowances between each other. This allows an authority who does not fully utilise their allowance to sell these on at market price to any authority who has gone over their allowance. If any authority is still over their allowance at this point they are required to pay a penalty charge to the Department for Environment, Food and Rural Affairs (DEFRA).

## 28. Cash in hand and overdrawn

| 2004/05<br>£m  | Cash in hand and Overdrawn | 2005/06<br>£m |
|----------------|----------------------------|---------------|
| 2.814          | Cash In hand               | 3.566         |
| (9.874)        | Cash Overdrawn             | 0             |
| <b>(7.060)</b> | <b>Total</b>               | <b>3.566</b>  |

See cash flow statement and note 54 on page 48 for further details.

## 29. Borrowing repayable within 12 months

| 2004/05<br>£m | Borrowing within 12 Months             | 2005/06<br>£m |
|---------------|--|---------------|
| 2.888         | Balance brought forward                | 2.986         |
| (2.563)       | Long term loans repaid in year         | (2.580)       |
| 2.580         | Long term loans maturing in next year  | 0.057         |
| 37.473        | Temporary borrowing raised in the year | 2.585         |
| (37.392)      | Temporary borrowing repaid in the year | (2.683)       |
| <b>2.986</b>  | <b>Total</b>                           | <b>0.365</b>  |

## 30. Creditors

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

| 2004/05<br>£m | Creditors                   | 2005/06<br>£m |
|---------------|-----------------------------|---------------|
| 0             | Capital Creditors           | 1.667         |
| 16.316        | Government departments      | 4.251         |
| 0.160         | Other local authorities     | 1.764         |
| 1.334         | Council tax                 | 1.740         |
| 0.524         | National non-domestic rates | 1.017         |
| 0.003         | Community charge/poll tax   | 0.003         |
| 31.775        | Other                       | 32.355        |
| <b>50.112</b> | <b>Total</b>                | <b>42.797</b> |

### 31. Long term borrowing

The authority's total outstanding debt repayable over 12 months as at 31 March 2006 is £225.334 million. The following table analyses the debt by lender maturity.

| 2004/05<br>£m  | Long term borrowing                   | Average<br>interest<br>rate payable<br>(%) | 2005/06<br>£m  |
|----------------|---------------------------------------|--|----------------|
| 69.282         | PWLB: Fixed interest                  | 4.89                                       | 89.271         |
| 0.190          | Individuals                           | 4.95                                       | 0.137          |
| 100.000        | Other financial institutions          | 3.98                                       | 107.000        |
| 30.026         | Other local authorities               | 7.44                                       | 28.926         |
| <b>199.498</b> | <b>Total</b>                          |  | <b>225.334</b> |
|                | <b>Analysis of loans by maturity:</b> |  |                |
| 45.045         | 1 - 2 years                           |  | 5.019          |
| 55.091         | 2 - 5 years                           |  | 85.108         |
| 0.050          | 5 – 10 years                          |  | 17.010         |
| 99.312         | More than 10 years                    |  | 118.197        |
| <b>199.498</b> | <b>Total</b>                          |  | <b>225.334</b> |

### 32. Provisions

| 2004/05<br>£m | Provisions       | 2005/06<br>£m |
|---------------|------------------|---------------|
| 2.023         | Government grant | 3.389         |
| 2.459         | Insurance fund   | 2.647         |
| 4.012         | Other            | 4.417         |
| <b>8.494</b>  | <b>Total</b>     | <b>10.453</b> |

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 £4.716 million. However, based on claims settlement profiles, projected settlements are estimated at £2.495 million. A provision of £2.647 million is held to cover the difference. In addition there are miscellaneous provisions totalling £4.417 million (£4.012 million 2004/05) and £3.389 million in respect of Government grants (£2.023 million 2004/05).

### 33. Reserves: General Fund Reserve

General reserves are available for the council to use at its discretion. The council maintains a minimum level of general reserves as a “working balance” to protect the council against a range of possible circumstances. The value of the working balance is calculated based on a risk assessment. Excess General reserves are sometimes used to reduce the overall net spending of the council prior to the setting of the council tax, but only one-off expenses by this source. The framework relating to general reserves is set out in the council’s medium term financial strategy.

| 2004/05<br>£m | General Reserve   | 2005/06<br>£m |
|---------------|---|---------------|
| 6.739         | Balance brought forward   | 6.628         |
| (2.237)       | Transfer to general fund (see consolidated revenue account page 18) | (0.940)       |
| 4.501         |   | 5.688         |
| 0             | Other transfers – earmarked reserves                                | (0.393)       |
| 2.126         | Other transfers – former HRA reserves                               | 0             |
| <b>6.628</b>  | <b>Total</b>  | <b>5.295</b>  |

### 34. Collection fund reserve

See additional statements section, note 6, page 54 for further details.

### 35. Other earmarked reserves

| 2004/05<br>£m | Other Earmarked Reserves         | 2005/06<br>£m |
|---------------|----------------------------------|---------------|
| 0.289         | Nursery schools (net)            | 0.466         |
| 6.022         | Primary schools (net)            | 6.601         |
| 1.541         | Secondary schools (net)          | 0.705         |
| 0.490         | Special schools (net)            | 0.678         |
| 1.095         | Foundation schools               | 1.036         |
| 0.519         | College of continuing education  | 0.577         |
| 0.884         | Community associations           | 0             |
| 11.343        | Other council earmarked reserves | 11.378        |
| <b>22.183</b> | <b>Total</b>                     | <b>21.441</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 2006 the balances held amounted to £1.353 million (£0.810 million in 2004/05).

The funding of community associations is no longer a delegated budget. As such any balances at the balance sheet date are now classified as creditors.

A number of other reserves have been set aside to cover for single status agreement costs; special projects including, the education contract, financial systems (oracle) upgrade and strategic transformation, 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.

### 36. Usable capital receipts

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 |               |
|------------------|---------------|---|----------------|---------------|
| 2004/05<br>£m    | 2005/06<br>£m |   | 2004/05<br>£m  | 2005/06<br>£m |
| 16.727           | 17.268        | Balance brought forward                   | 6.375          | 10.723        |
| 0                | 0             | Other external funding                    | 0.813          | 1.316         |
| 3.424            | 4.564         | Capital receipts received during the year | 17.053         | 30.200        |
| (2.607)          | (6.427)       | Applied against schemes                   | (13.518)       | (31.275)      |
| (0.276)          | (0.158)       | Set Aside: capital receipts used          | 0              | 0             |
| <b>17.268</b>    | <b>15.247</b> | <b>Total</b>                              | <b>10.723</b>  | <b>10.964</b> |

### 37. Reserves: deferred credits

| 2004/05<br>£m | Deferred credits          | 2005/06<br>£m |
|---------------|---------------------------|---------------|
| 0             | Deferred income           | 0.177         |
| 0.357         | Deferred LOBO interest    | 0.708         |
| 3.642         | Deferred capital receipts | 2.752         |
| <b>3.999</b>  | <b>Total</b>              | <b>3.637</b>  |

### 38. Reserves: deferred premiums on repurchase of debt

| 2004/05<br>£m | Deferred premiums on repurchase of debt | 2005/06<br>£m |
|---------------|---|---------------|
| 2.321         | Balance brought forward                 | 2.070         |
| 0             | Premiums paid                           | 0             |
| 0.227         | Discount received                       | 0             |
| 0             | Brokerage Paid                          | 0             |
| 0.909         | Discharged to revenue – premiums        | 0.749         |
| (1.387)       | Discharged to revenue – discounts       | (1.263)       |
| 0             | Discharged to revenue - brokerage       | 0             |
| <b>2.070</b>  | <b>Total</b>                            | <b>1.556</b>  |

### 39. 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. (See overleaf).

| 2004/05                         |  | Capital financing account & deferred government grants and contributions | 2005/06                         |  |
|---------------------------------|--|--|---------------------------------|--|
| Capital financing account<br>£m | Deferred government grants and contributions<br>£m |  | Capital financing account<br>£m | Grants and deferred government contributions<br>£m |
| 314.860                         | 20.534   | Balance brought forward 1 April 2005                                     | 317.647                         | 22.064   |
| 0.276                           | 0  | Capital receipts set aside in 2005/06                                    | 0                               | 0  |
|                                 |  | <b>Revenue resources set aside in 2005/06</b>                            |                                 |  |
| 2.607                           | 0  | Capital receipts financing capital expenditure                           | 6.553                           | 0  |
| 0.032                           | 0  | Direct revenue funding of capital  | 1.557                           | 0  |
| 0.255                           | 0  | Provision for repayment of external loans                                | 0.473                           | 0  |
| 4.515                           | 0  | Appropriations   | 1.985                           | 0  |
| (4.899)                         | 0  | Write off of deferred charges  | (8.154)                         | 0  |
| 2.510                           | 0  |  | 2.414                           | 0  |
|                                 |  | <b>Movement on Government Grants Deferred</b>                            |                                 |  |
| 0                               | 13.318   | Grants received in year  | 0                               | 31.275   |
| 0                               | (11.788)   | Amounts credited to AMRA in 2005/06                                      | 0                               | (21.708)   |
| 0                               | 1.530  |  | 0                               | 9.567  |
| <b>2.787</b>                    | <b>1.530</b>                                       | <b>Total Movement on Reserve 2005/06</b>                                 | <b>2.414</b>                    | <b>9.567</b>                                       |
| <b>317.647</b>                  | <b>22.064</b>                                      | <b>Balance carried forward 31st March 2006</b>                           | <b>320.061</b>                  | <b>31.631</b>                                      |

### 40. 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.



| 2004/05<br>£m  | Fixed Asset Restatement Account           | 2005/06<br>£m  |
|----------------|---|----------------|
| 353.046        | Balance b/fwd                             | 320.594        |
| 0.991          | Revaluation & restatement of fixed assets | 13.058         |
| (0.992)        | Disposal of fixed assets                  | 0.373          |
| 4.899          | Adjustment for non-owned assets           | 8.154          |
| (37.350)       | Non-added value                           | (47.324)       |
| (32.452)       | Total movement in year                    | (25.739)       |
| <b>320.594</b> | <b>Total</b>                              | <b>294.855</b> |

#### 41. Pension reserve

| 2004/05<br>£m  | Pension Reserve Movements                               | 2005/06<br>£m  |
|----------------|---|----------------|
| 153.931        | Balance b/f   | 236.676        |
| (13.411)       | Payment to Pension Fund                                 | (16.556)       |
| 21.796         | Appropriation to Pension Reserve                        | 16.324         |
| 74.360         | Difference between actual and expected return on assets | 0.106          |
| <b>236.676</b> | <b>Balance c/f</b>                                      | <b>236.550</b> |

The actuarial gains identified as movements on the pensions reserve in 2005/06 can be analysed into the following categories measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006:

| Net Actuarial Gain/(Loss)   | West Midlands Authorities Pension Fund |                            | Unfunded Teachers Pensions |                            |
|---|--|----------------------------|----------------------------|----------------------------|
|   | £m                                     | %                          | £m                         | %                          |
| Difference between actual and expected return on assets                                 | 62.634                                 | 14.8% of assets            | 0                          |                            |
| Effect of difference between actuarial assumptions on liabilities and actual experience | (12.091)                               | 1.9% of liabilities        | 0                          |                            |
| Effect of changes in actuarial assumptions  | (49.970)                               | 7.8% of liabilities        | (0.679)                    | 4.7% of liabilities        |
| <b>Net Actuarial Gain/(Loss)</b>  | <b>0.573</b>                           | <b>0.1% of liabilities</b> | <b>(0.679)</b>             | <b>4.7% of liabilities</b> |
| <b>Comparative Totals for 2004/05</b>   | <b>(73.038)</b>                        | <b>13% of liabilities</b>  | <b>(1.322)</b>             | <b>9.3% of liabilities</b> |

#### 42. Statement of net assets employed

| 2004/05<br>£m  | Statement of Net Assets Employed | 2005/06<br>£m  |
|----------------|----------------------------------|----------------|
| 614.324        | General fund                     | 884.688        |
| 0              | Housing revenue account          | 0              |
| 110.491        | Foundation schools               | 110.432        |
| <b>724.815</b> | <b>Total</b>                     | <b>995.120</b> |

## 43. Analysis of tangible fixed assets

Walsall Metropolitan Borough Council owned the following assets as at 31 March 2006.

| Asset   | 31 March 2006 | Asset   | 31 March 2006 |
|---|---------------|---|---------------|
| <b>Infrastructure</b>                                 |               | <b>Other Land And Buildings:<br/>Continued</b>  |               |
| Hectares of derelict land                             | 10.71         | Waste disposal - transfer station               | 1             |
| Hectares of public open space                         | 1,365.33      | - disposal sites                                | 2             |
| Kilometres of road                                    | 857.3         | Other administrative buildings                  | 22            |
| 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             |
|   |               | Family centres                                  | 2             |
| Nursery schools                                       | 18            | Physically disabled day care centres            | 1             |
| Primary schools                                       | 98            | Tenanted farms                                  | 10            |
| Secondary schools                                     | 20            | Public conveniences                             | 12            |
| Special schools                                       | 7             |   |               |
| School houses   | 71            | <b>Vehicles Plant and Equipment:</b>            |               |
| Neighbourhood offices                                 | 19            | The council owns or leases vehicles, including: |               |
|   |               | Vans  | 94            |
| Sports centres  | 3             | Cesspit emptiers                                | 3             |
| Youth clubs   | 12            | Tipper trucks                                   | 75            |
| Community centres                                     | 25            | Minibuses and crewbuses                         | 19            |
| Town halls  | 2             | 4x4 vehicles                                    | 7             |
| Civic centre  | 1             | Saloons/estate cars                             | 5             |
| Parks' lodges   | 11            | Sweepers  | 10            |
| Residential centres for children                      | 6             | Welfare vehicles                                | 46            |
| Residential centres for elderly people                | 9             | Gritters  | 4             |
| Residential centres for rehabilitation                | 1             | Gritting bodies                                 | 7             |
| Community meeting halls                               | 1             | JCBs  | 3             |
| Swimming pools  | 5             | Refuse collection vehicles                      | 46            |
| Crematorium   | 1             | Trailers  | 27            |
| Function halls  | 3             | Mobile libraries                                | 5             |
| Theatres  | 2             | Mayoral car                                     | 2             |
| Libraries   | 19            | Playbuses                                       | 2             |
| Museums/art galleries (including leather centre)      | 5             |   |               |
| Court buildings *                                     | 2             | Tractors  | 6             |
| Challenge building                                    | 1             |   |               |
| Homes for people with mental or physical disabilities | 6             | <b>Community Assets</b>                         |               |
| Community rooms                                       | 3             | Cemeteries                                      | 8             |
|   |               | Art works and museum treasures                  | 12,496        |

\*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.

#### 44. Summary of capital expenditure and sources of finance

| 2004/05<br>£m | Classification by Service  | 2005/06<br>£m |
|---------------|--|---------------|
| 17.743        | Children   | 17.708        |
| 11.198        | Regeneration and Neighbourhood Services  | 29.341        |
| 3.040         | Social Care and Supported Housing  | 7.687         |
| 13.854        | Corporate Services   | 5.346         |
| <b>45.835</b> | <b>Total</b>   | <b>60.082</b> |
|               | <b>Classification by Type</b>  |               |
| 0.091         | Intangible fixed assets  | 0.235         |
|               | Tangible fixed assets  |               |
| 0             | - Infrastructure   | 0             |
| 0.437         | - Other land and buildings   | 5.089         |
| 1.809         | - Vehicles, plant and equipment  | 0.274         |
| 0             | - Community assets (cemeteries only)   | 0             |
| <b>2.337</b>  | <b>Operational assets</b>  | <b>5.598</b>  |
| <b>4.897</b>  | <b>Assets under construction</b>   | <b>7.160</b>  |
|               | <b>Capital Outlay</b>  |               |
| <b>33.460</b> | Expenditure on enhancing the life or functional value without affecting their market value | <b>39.170</b> |
| 2.015         | Improvement grants   | 4.710         |
| 0.340         | Education  | 0.573         |
| 2.544         | Corporate  | 2.143         |
| 0             | Regeneration   | 0.728         |
| <b>4.899</b>  | <b>Deferred charges</b>  | <b>8.154</b>  |
| <b>0.242</b>  | Magistrates  | <b>0</b>      |
| <b>45.835</b> | <b>Total</b>   | <b>60.082</b> |
|               | <b>How Capital Expenditure is Financed</b>   |               |
|               | <b>Borrowing</b>   |               |
| 19.016        | Supported borrowing under prudential code  | 13.562        |
| 3.626         | Unsupported borrowing under prudential code  | 12.270        |
| <b>22.642</b> |  | <b>25.832</b> |
|               | <b>Grants</b>  |               |
| 0.225         | European grants  | 2.157         |
| 12.624        | Government grants  | 27.729        |
| 0.669         | Contractual bonds and other private sector contributions                                   | 1.389         |
| <b>13.518</b> |  | <b>31.275</b> |
| <b>0.032</b>  | <b>Direct revenue funding</b>  | <b>1.557</b>  |
| <b>2.607</b>  | <b>Usable capital receipts</b>   | <b>6.427</b>  |
| (1.501)       | Capital expenditure awaiting reimbursement b/fwd:  | (9.691)       |
| 9.691         | Capital expenditure awaiting reimbursement c/fwd   | 4.682         |
| <b>46.989</b> |  | <b>60.082</b> |

## 45. 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.

## 46. Contingent assets

The council is at present pursuing recovery of 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 circa £0.400 million.

## 47. Post balance sheet events

There are no post balance sheet events this financial year.

## 48. Capital commitments

The council has ongoing commitments on capital schemes. These are summarised by directorate below.

| <b>Capital Commitments</b>       | <b>2004/05<br/>£m</b> | <b>2005/06<br/>£m</b> |
|----------------------------------|-----------------------|-----------------------|
| Children                         | 1.110                 | 11.919                |
| Corporate                        | 2.092                 | 1.666                 |
| Neighbourhood                    | 4.000                 | 4.628                 |
| Regeneration                     | 3.113                 | 2.561                 |
| Social Care and Inclusion        | 0.676                 | 0.867                 |
| <b>Total capital commitments</b> | <b>10.991</b>         | <b>21.641</b>         |

## 49. Leases

Amounts paid during the year were as follows:

Operating leases – 2005/06 £2.047 million (£1.972 million in 2004/05)

Finance leases – nil in both 2005/06 and 2004/05

Open hire scheme – 2005/06 £0.869 million (£0.869 million in 2004/05)

As at 31 March 2006, the council has a commitment on the revenue account to meet charges on leased items as detailed below:

| Leased items charges |                           |             |         |                 |                           |             |
|----------------------|---------------------------|-------------|---------|-----------------|---------------------------|-------------|
| 2004/05              |                           |             | Year    | 2005/06         |                           |             |
| Operating<br>£m      | Open Hire<br>Scheme<br>£m | Total<br>£m |         | Operating<br>£m | Open Hire<br>Scheme<br>£m | Total<br>£m |
| 0.762                | 0.869                     | 1.631       | 2005/6  | 2.047           | 0.869                     | 2.916       |
| 0.503                | 0                         | 0.503       | 2006/7  | 1.116           | 0.120                     | 1.236       |
| 0.234                | 0                         | 0.234       | 2007/8  | 0.847           | 0.120                     | 0.967       |
| 0.081                | 0                         | 0.081       | 2008/9  | 0.693           | 0.120                     | 0.813       |
| 0.046                | 0                         | 0.046       | 2009/10 | 0.658           | 0.120                     | 0.778       |

## 50. Associated company interests and holdings

### Birmingham International Airport

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.

The 2005/06 financial extract shown overleaf is from the unaudited accounts of BAH. As such these are subject to change.

In order to be consistent with BAH, the 2004/05 summary has been updated for the final audited accounts for 2004/05.

| 2004/05<br>£m | Birmingham Airport     | 2005/06<br>£m |
|---------------|------------------------|---------------|
| 110.195       | Turnover               | 111.109       |
| 200.666       | Net assets             | 269.008       |
| 29.457        | Profit before taxation | 29.188        |
| 19.027        | Profit after taxation  | 19.458        |

#### 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.

### 51. Movement in revenue and pension reserves

|  | General Fund Reserve<br>£m | Housing Revenue Account Reserve<br>£m | Collection Fund Reserve<br>£m | Foundation Schools Reserve<br>£m | Other Earmarked Reserves<br>£m | Pensions Reserve<br>£m | Total Revenue/Pensions Reserve<br>£m |
|--|----------------------------|---------------------------------------|-------------------------------|----------------------------------|--------------------------------|------------------------|--------------------------------------|
| Balance 31/03/06   | 5.295                      | 0                                     | (0.788)                       | 1.036                            | 20.405                         | (236.550)              | <b>(210.602)</b>                     |
| Balance 31/03/05   | 6.628                      | 0                                     | (0.789)                       | 1.095                            | 21.088                         | (236.676)              | <b>(208.654)</b>                     |
| <b>Movement in Year</b>  | <b>(1.333)</b>             | <b>0</b>                              | <b>0.001</b>                  | <b>(0.059)</b>                   | <b>(0.683)</b>                 | <b>0.126</b>           | <b>(1.948)</b>                       |
| General Fund surplus/ (deficit)  | (0.940)                    | 0                                     | 0                             | 0                                | 0                              | 0                      | <b>(0.940)</b>                       |
| HRA surplus/(deficit)  | 0                          | 0                                     | 0                             | 0                                | 0                              | 0                      | <b>0</b>                             |
| Movements on earmarked reserves  | (0.393)                    | 0                                     | 0.001                         | (0.059)                          | (0.683)                        | 0                      | <b>(1.134)</b>                       |
| Appropriation from pensions reserves                                   | 0                          | 0                                     | 0                             | 0                                | 0                              | (16.324)               | <b>(16.324)</b>                      |
| Actuarial gains and losses relating to pensions                        | 0                          | 0                                     | 0                             | 0                                | 0                              | (0.106)                | <b>(0.106)</b>                       |
| <b>Total increase/ (decrease) in revenue resources</b>                 | <b>(1.333)</b>             | <b>0</b>                              | <b>0.001</b>                  | <b>(0.059)</b>                   | <b>(0.683)</b>                 | <b>(16.430)</b>        | <b>(18.504)</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>16.556</b>          | <b>16.556</b>                        |
| <b>Total recognised gains / (losses) for revenue/pensions reserves</b> | <b>(1.333)</b>             | <b>0</b>                              | <b>0.001</b>                  | <b>(0.059)</b>                   | <b>(0.683)</b>                 | <b>0.126</b>           | <b>(1.948)</b>                       |

## 52. Movement in capital reserves

|  | Useable capital receipts reserve | Deferred credits | Deferred premiums reserve | Capital financing account | Fixed asset restatement account | Deferred gov't grants and contributions | Total           |
|--|----------------------------------|------------------|---------------------------|---------------------------|---------------------------------|---|-----------------|
|  | £m                               | £m               | £m                        | £m                        | £m                              | £m                                      | £m              |
| Balance 31/03/06   | 26.211                           | 3.637            | 1.556                     | 320.061                   | 294.855                         | 31.631                                  | <b>677.951</b>  |
| Balance 31/03/05   | 27.992                           | 3.999            | 2.070                     | 317.647                   | 320.594                         | 22.064                                  | <b>694.366</b>  |
| <b>Movement in Year</b>  | <b>(1.781)</b>                   | <b>(0.362)</b>   | <b>(0.514)</b>            | <b>2.414</b>              | <b>(25.739)</b>                 | <b>9.567</b>                            | <b>(16.415)</b> |
| Increase/(decrease) in useable capital receipts                                      | (2.021)                          | 0                | 0                         | 0                         | 0                               | 0                                       | <b>(2.021)</b>  |
| Increase/(decrease) in unapplied capital grants and contributions                    | 0.240                            | 0                | 0                         | 0                         | 0                               | 0                                       | <b>0.240</b>    |
| Deferred credits   | 0                                | (0.362)          | (0.514)                   | 0                         | 0                               | 0                                       | <b>(0.876)</b>  |
| <b>Total increase/ (decrease) in realised capital resources</b>                      | <b>(1.781)</b>                   | <b>(0.362)</b>   | <b>(0.514)</b>            | <b>0</b>                  | <b>0</b>                        | <b>0</b>                                | <b>(2.657)</b>  |
| Gains/(losses) on revaluation of fixed assets  | 0                                | 0                | 0                         | 0                         | (26.112)                        | 0                                       | <b>(26.112)</b> |
| <b>Total unrealised increase/(decrease) in value of fixed assets</b>                 | <b>0</b>                         | <b>0</b>         | <b>0</b>                  | <b>0</b>                  | <b>(26.112)</b>                 | <b>0</b>                                | <b>(26.112)</b> |
| <b>Value of assets sold, decommissioned or realised</b>                              | <b>0</b>                         | <b>0</b>         | <b>0</b>                  | <b>0</b>                  | <b>0.373</b>                    | <b>0</b>                                | <b>0.373</b>    |
| Revenue resources set aside  | 0                                | 0                | 0                         | 2.414                     | 0                               | 0                                       | <b>2.414</b>    |
| Movement on Government grants deferred   | 0                                | 0                | 0                         | 0                         | 0                               | 9.567                                   | <b>9.567</b>    |
| <b>Total increase/ (decrease) in amounts set aside to finance capital investment</b> | <b>0</b>                         | <b>0</b>         | <b>0</b>                  | <b>2.414</b>              | <b>0</b>                        | <b>9.567</b>                            | <b>11.981</b>   |
| <b>Total recognised gains / (losses) for capital reserves</b>                        | <b>(1.781)</b>                   | <b>(0.362)</b>   | <b>(0.514)</b>            | <b>2.414</b>              | <b>(25.739)</b>                 | <b>9.567</b>                            | <b>(16.415)</b> |

## 53. Reconciliation of consolidated revenue accounts

This note reconciles the net surplus/deficit on the consolidated revenue account to the council's movement in cash.

| 2004/05<br>£m   | Reconciliation of consolidated revenue accounts   | 2005/06<br>£m  |
|-----------------|---|----------------|
| 2.237           | <b>Net deficit/(surplus)</b>                      | <b>0.940</b>   |
|                 | <b>Add back:</b>                                  |                |
| (6.098)         | Servicing of finance                              | (4.098)        |
| (9.711)         | Revenue cash activities on balance sheet          | (8.461)        |
|                 | <b>Non-cash transactions:</b>                     |                |
| (1.388)         | contributions to/(from) provisions                | (1.959)        |
| 0.216           | contributions to/(from) reserves                  | 0.741          |
| (1.154)         | contributions to/(from) capital                   | 0              |
| 4.773           | contributions to/(from) other accounts            | 6.154          |
|                 | <b>Items on an Accruals Basis</b>                 |                |
| 0.078           | Increase/(decrease) in stock and work in progress | (0.159)        |
| 7.602           | Increase/(decrease) in revenue debtors            | (8.091)        |
| (10.280)        | (Increase)/decrease in revenue creditors          | 7.315          |
| <b>(13.725)</b> | <b>Revenue activities net cash flow</b>           | <b>(7.618)</b> |

## 54. 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<br>equivalents | As at 31.03.05<br>£m | Movement<br>£m | As at 31.03.06<br>£m |
|--|----------------------|----------------|----------------------|
| Cash overdrawn                           | (9.874)              | 9.874          | 0                    |
| Cash in hand                             | 2.814                | 0.752          | 3.566                |
| Short-term investments                   | 46.587               | (10.431)       | 36.156               |
| <b>Net cash outflow</b>                  | <b>39.527</b>        | <b>0.195</b>   | <b>39.722</b>        |



55. Analysis of revenue – other government grants and reimbursements

| 2004/05<br>£m  | Analysis of revenue – other government grants and reimbursements | 2005/06<br>£m  |
|----------------|--|----------------|
| 23.234         | H M Customs and Excise   | 27.326         |
| 13.449         | Standards Fund   | 18.242         |
| 13.002         | Learning & Skills Council  | 13.829         |
| 10.226         | Social Services Adults Grants                                    | 8.257          |
| 7.775          | Supporting People  | 7.322          |
| 8.592          | Neighbourhood Renewal Fund                                       | 7.122          |
| 5.083          | Teachers Pay Reform Grant  | 5.787          |
| 5.115          | DfES Schools Grant   | 5.345          |
| 3.308          | Other Social Services Children's Grants                          | 3.945          |
| 0              | New Deal for Communities   | 3.897          |
| 2.179          | Single Regeneration Budget                                       | 0.936          |
| 0.299          | Social Services Quality Projects                                 | 0.313          |
| 11.596         | Other  | 12.506         |
| <b>103.858</b> | <b>Total</b>   | <b>114.827</b> |

56. Analysis of capital grants

| 2004/05<br>£m | Analysis of capital grants              | 2005/06<br>£m |
|---------------|---|---------------|
| 7.261         | Schools Standards Fund                  | 9.384         |
| 1.784         | New Deal for Communities                | 8.597         |
| 0             | Sure Start                              | 2.065         |
| 0.323         | ERDF                                    | 1.224         |
| 0.109         | New Opportunities Fund for PE and Sport | 1.053         |
| 0.465         | Single Regeneration Budget              | 0.676         |
| 1.496         | Public Finance Initiatives (PFI)        | 0.552         |
| 0.456         | Housing Specific                        | 0.539         |
| 0.216         | Replacement Benefits System             | 0.308         |
| 0.604         | Electronic Government                   | 0.250         |
| 0.438         | Derelict Land / Limestone               | 0.169         |
| 3.901         | Other                                   | 6.699         |
| <b>17.053</b> | <b>Total</b>                            | <b>31.516</b> |

57. Analysis of changes in net debt

| Analysis of changes in net debt | As at 31.03.05<br>£m | Movement       | As at 31.03.06<br>£m |
|---------------------------------|----------------------|----------------|----------------------|
| Cash or Cash Equivalents        | (39.527)             | (0.195)        | (39.722)             |
| Long Term Investments           | (17.546)             | (3.000)        | (20.546)             |
|                                 | <b>(57.073)</b>      | <b>(3.195)</b> | <b>(60.268)</b>      |
| new borrowing raised            |                      | 29.585         |                      |
| borrowing repaid                |                      | (6.370)        |                      |
| <b>Total Borrowing</b>          | <b>202.484</b>       | <b>23.215</b>  | <b>225.699</b>       |
|                                 |                      |                |                      |
| <b>Total</b>                    | <b>145.411</b>       | <b>20.020</b>  | <b>165.431</b>       |

## Section 6

# Additional financial statements

## Collection fund

### 1. Income and expenditure account

| 2004/05<br>£m  |  | Note | 2005/06<br>£m  |
|----------------|--|------|----------------|
|                | <b>Income</b>  |      |                |
| 60.526         | Income from business ratepayers                            | 2    | 61.043         |
| 73.828         | Income from council tax payers                             | 3    | 77.700         |
| 20.260         | Benefits   |      | 21.247         |
| <b>154.614</b> |  |      | <b>159.990</b> |
|                | <b>Expenditure</b>   |      |                |
|                | <b>Precepts and demands:</b>                               |      |                |
| 84.530         | Walsall Metropolitan Borough Council                       | 5    | 87.930         |
| 6.079          | Police   | 5    | 6.360          |
| 2.984          | Fire and Civil Defence                                     | 5    | 3.132          |
| <b>93.593</b>  |  |      | <b>97.422</b>  |
| 60.136         | Payable to NNDR pool                                       | 2    | 60.666         |
| 0.390          | Cost of collection   | 2    | 0.377          |
|                | Write offs   |      |                |
| 0              | - Community charge/poll tax                                |      | 0              |
| 0.652          | - Council tax  |      | 0.025          |
|                | Change in provision for uncollectible amounts:             |      |                |
| 0              | - Community charge/poll tax                                |      | 0              |
| 0.414          | - Council tax  |      | 1.242          |
| <b>155.185</b> |  |      | <b>159.732</b> |
| 0.218          | Collection fund balance brought forward at 1 April         |      | 0.789          |
| <b>155.403</b> |  |      | <b>160.521</b> |
| 0              | Transfer to Precepting Authorities                         |      | 0              |
| 0              | Amount used to support council tax                         |      | 0.260          |
| <b>(0.789)</b> | <b>Collection fund balance carried forward at 31 March</b> | 6    | <b>(0.790)</b> |
| <b>154.614</b> |  |      | <b>159.991</b> |

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 2006 was £167.831 million (£159.581 million 2004/05). 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:

| 2004/05<br>£m | Income   | 2005/06<br>£m |
|---------------|--|---------------|
| 68.988        | Gross amount payable to the NNDR Pool:<br>Non-domestic rates | 70.319        |
| (0.108)       | Add/(deduct):<br>transitional relief                         | 0.228         |
| (0.753)       | Less:<br>Bad debts written off/provision for bad debts       | (0.302)       |
| (7.601)       | Allowances and other adjustments                             | (9.202)       |
| <b>60.526</b> | <b>Income from business ratepayers</b>                       | <b>61.043</b> |
| (0.390)       | Less: Costs of collection allowance                          | (0.377)       |
| <b>60.136</b> | <b>Net income to pool</b>                                    | <b>60.666</b> |

### 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 2005/06 the multiplier is £0.422 (£0.456 in 2004/05).

## 3. Income due from council tax

The council set a council tax of £1,281.83 for 2005/06 (£1,233.06 2004/05), including precepts for the Police Authority and the Fire and Civil Defence Authority based upon a tax base of 76,002 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:

| 2004/05<br>£m |  | 2005/06<br>£m |
|---------------|--|---------------|
| 94.088        | Gross council tax due<br>(Adjusted for changes in banding etc) | 98.947        |
| (20.260)      | LESS: Benefit awarded  | (21.247)      |
| <b>73.828</b> | <b>Total</b>   | <b>77.700</b> |

4. Calculation of the council tax base

| Band | Weight | No. Dwellings  | Discounted Value | Band D Equivalent |
|------|--------|----------------|------------------|-------------------|
| A    | 6/9    | 49,428         | 42,178           | 28,112            |
| B    | 7/9    | 24,036         | 21,651           | 16,839            |
| C    | 8/9    | 16,279         | 14,980           | 13,315            |
| D    | 1      | 9,342          | 8,749            | 8,749             |
| E    | 11/9   | 5,221          | 4,864            | 5,945             |
| F    | 13/9   | 2,199          | 2,080            | 3,005             |
| G    | 15/9   | 709            | 653              | 1,088             |
| H    | 2      | 54             | 23               | 46                |
|      |        | <b>107,268</b> | <b>95,178</b>    | <b>77,099</b>     |

5. Organisations which made a precept or demand on the fund

| 2004/05<br>£m |                                      | 2005/06<br>£m |
|---------------|--------------------------------------|---------------|
| 84.530        | Walsall Metropolitan Borough Council | 87.929        |
| 6.078         | Police                               | 6.359         |
| 2.984         | Fire and Civil Defence               | 3.131         |
| <b>93.593</b> | <b>Total</b>                         | <b>97.419</b> |

6. Collection fund balance

| 2004/05<br>£m  |   | 2005/06<br>£m  |
|----------------|---|----------------|
|                | <b>Community charge / poll tax</b>                  |                |
| 0.002          | Surplus/(deficit) brought forward 1 April           | 0.002          |
| 0              | Surplus/(deficit) for year                          | 0              |
| 0              | Amount used to support council tax                  | 0              |
| <b>0.002</b>   | <b>Surplus/(deficit) carried forward 31 March</b>   | <b>0.002</b>   |
|                | <b>Council tax</b>                                  |                |
| (0.220)        | Surplus/(deficit) brought forward 1 April           | (0.791)        |
| (0.571)        | Surplus/(deficit) for year                          | (0.259)        |
| <b>(0.791)</b> |   | <b>(1.050)</b> |
| 0              | Transfer to precepting authorities                  | 0              |
| 0              | Amount used to support council tax                  | 0.260          |
| <b>(0.791)</b> | <b>Surplus/(deficit) carried forward 31 March</b>   | <b>(0.790)</b> |
|                |   |                |
| <b>(0.789)</b> | <b>Total collection fund balance</b>                | <b>(0.788)</b> |
|                | <b>Appropriation of the Collection Fund balance</b> |                |
| (0.773)        | Walsall Council                                     | (0.747)        |
| (0.012)        | Police  | (0.029)        |
| (0.006)        | Fire and Civil Defence                              | (0.014)        |
| <b>(0.791)</b> | <b>Total</b>  | <b>(0.790)</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) |               |
|--|---------------|-------------|--------------------------|---------------|
|  | £             | £           | 2005/06<br>£             | 2004/05<br>£  |
| <b>Education, Lifelong Learning &amp; Community:</b> |               |             |                          |               |
| S W Tame   | 24            | 0           | 24                       | 23            |
| John Leckie Memorial                                 | 1,234         | 0           | 1,234                    | 1,143         |
| Joseph Leckie Trust                                  | 1,238         | 0           | 1,238                    | 1,149         |
| Barr Beacon  | 12,840        | 0           | 12,840                   | 12,048        |
| <b>Corporate Services:</b>                           |               |             |                          |               |
| Walsall Agricultural                                 | 30            | 0           | 30                       | 29            |
| <b>Total</b>   | <b>15,366</b> | <b>0</b>    | <b>15,366</b>            | <b>14,392</b> |

| Funds assets  | Capital Portion | Revenue Accumulation | Total 2005/06  | Total 2004/05  | Market 2005/06 | Value 2004/05  |
|---|-----------------|----------------------|----------------|----------------|----------------|----------------|
|   | £               | £                    | £              | £              | £              | £              |
| <b>Education, Lifelong Learning &amp; Community</b> |                 |                      |                |                |                |                |
| S W Tame  | 55              | 395                  | 450            | 426            | 455            | 432            |
| Joseph Leckie Memorial                              | 1,518           | 21,494               | 23,012         | 21,779         | 23,013         | 21,779         |
| Joseph Leckie Trust                                 | 1,500           | 21,742               | 23,242         | 22,004         | 23,585         | 22,165         |
| Barr Beacon   | 0               | 273,289              | 273,289        | 260,449        | 273,289        | 260,449        |
| <b>Corporate Services</b>                           |                 |                      |                |                |                |                |
| Walsall Agricultural                                | 330             | 271                  | 601            | 571            | 601            | 571            |
| <b>Total</b>  | <b>3,403</b>    | <b>317,191</b>       | <b>320,594</b> | <b>305,229</b> | <b>320,943</b> | <b>305,396</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>2004/05</b><br><b>£</b> | <b>Social care residents' monies held</b> | <b>2005/06</b><br><b>£</b> |
|----------------------------|---|----------------------------|
| 442,302                    | Balance at 1 April                        | 510,679                    |
| 68,377                     | Net Deposits/(Withdrawals) in year        | 236,390                    |
| <b>510,679</b>             | <b>Total</b>                              | <b>747,069</b>             |

2. Trusts consolidated balance sheet

| <b>2004/05</b><br><b>£</b> | <b>Consolidated Balance Sheet</b> | <b>2005/06</b><br><b>£</b> |
|----------------------------|-----------------------------------|----------------------------|
| 686,864                    | Investment trust fund             | 923,254                    |
| 121                        | Debtors                           | 145                        |
| 128,922                    | Cash                              | 144,265                    |
| <b>815,907</b>             | <b>Total</b>                      | <b>1,067,664</b>           |
| 812,504                    | - Revenue fund balances           | 1,064,261                  |
| 3,403                      | - Capital account                 | 3,403                      |
| <b>815,907</b>             | <b>Total</b>                      | <b>1,067,664</b>           |

## Section 7

# Statement of accounting policies

## 1. General

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

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

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

### **Relevance**

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

### **Reliability**

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

### **Comparability**

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

### **Understandability**

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

### **Materiality**

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

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

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



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

## 2. 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 replaced deferred charges on the balance sheet from 1 April 2004 in line with ACOP and FRS10.

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                 |

## 3. 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 – 2006.

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.

## 4. Deferred charges

From 1 April 2004 deferred charges are no longer shown in 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.

## 5. 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 2006. The notional rates of interest used are 3.5% (3.5% in 2004/05) for both those fixed assets included in the balance sheet at current value and 4.95% (4.8% in 2004/05) 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.

## 6. 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.

Receipts that relate to former Housing Revenue Account activities such as mortgage principle payments are subject to housing capital receipts pooling. As such 75% of such receipts are to be paid over to DCLG each year.

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

## 7. Government grants

Revenue grant income is credited to the appropriate revenue account in the same period in which the related expenditure is charged. Capital grants (those relating to fixed assets) are credited to a government grants deferred account in the year of receipt. These are then written 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.

## 8. 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.

## 9. 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. From 2005/06 the gains/losses that have not yet been recognised can be found in a reserve following the SORP. Previously they were shown as deferred credits and intangible assets.

## 10. 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 commuted 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.

## 11. 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.

## 12. 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.

For those loans that have a stepped interest rate, in the authorities case LOBOs, the council has applied FRS 4. This requires the council to equalise the payments of interest over the expected economic life of the loan. The council has taken this to be to the first redemption date where the new interest rate has not yet been decided. The revised interest cost has then been applied to the revenue account in place of the actual interest cost. The balance between actual cost and this revised cost has been included within deferred credits on the balance sheet.

## 13. Investments

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

## 14. Group accounts

The group account requirements of the council have been reviewed and prepared in line with the 2004 SORP requirement. Following examination of the council's relationships with other bodies it has been concluded that there are no group relationships this year.

## 15. Debtors

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

## 16. 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.

Stocks for the joint equipment store were identifiable as belonging to the authority and have been included within the balance sheet valued on the basis above.

## 17. Creditors

Revenue expenditure incurred up to 31 March 2006 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.

## 18. 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 relates, it is charged directly to the provision.

## 19. Reserves

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

The Useable Capital Receipts Reserve is required under the Local Government & Housing Act 1989 and is credited with income from the disposal of fixed assets. In the year the useable receipts are used to finance capital expenditure they are applied to the capital finance 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 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.

## 20. 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.

## 21. 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.

For the 2005/06 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 2.5% real (5.4% actual) is appropriate.

Within the 2005/06 statement of accounts the past service cost has been altered for this year only. This is to take account of the change in scheme benefits that was introduced on 1 April 2005. This has created a one off credit of £8.7million within the net cost of service.

## 22. 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 and Corporate Management are separately identified and not apportioned to any user. The following table lists the methods of customer charging.

| <b>CENTRAL SUPPORT SERVICE CHARGES (CSS)</b> |  |
|--|--|
| <b>CSS ELEMENT</b>                           | <b>METHOD OF CHARGING</b>  |
| ATAR – time recording system                 | Charges based on employee numbers  |
| 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 the 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 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 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  |

## 23. Value added tax (VAT)

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

## 24. Contingent liabilities

Contingent liabilities have not been recognised in the accounting statements. They have been disclosed within the notes to the accounts detailing the nature of the contingency, an estimate of its financial effect and an indication of the uncertainties surrounding the timing of the economic effects.

## 25. Post balance sheet events

These are events that have happened after the balance sheet date, 31 March 2006. There are two types of event and it depends on its nature as to its treatment within the statement of accounts.

If the event is an adjusting event, (one that has a material economic effect on the council and was known about at the balance sheet date) then the statement of accounts have been adjusted accordingly. Details about any such event have been put within the notes to the balance sheet and any effected notes adjusted accordingly.

If the event is indicative of conditions that arose after the balance sheet date then this is an un-adjusting event. For these only a note is included within the statement of accounts identifying the nature of the event and estimates of the financial effect (unless this can not be estimated reliably where upon a statement saying this is included).

## Section 8

# 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 and 1 April 2006:** the current sets of regulations which detail the accounts needed, how they should be published, the 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 (external) 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.



**Billing authority:** Walsall Council is the billing authority responsible for the collection of 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.

**BVACOP:** Best Value Accounting Code of Practice. An accounting code that applies to all local government with the aim of standardising categorisation of spend and accounting practices.

## 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:** Chartered Institute of Public Finance and Accountancy. The professional body that oversees accounting practice within public bodies.

**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.

**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 Assets:** potential assets at the balance sheet date which depend on the occurrence or non-occurrence of one or more uncertain future events. The assets 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.

**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 who 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 and Corporate Management.

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

**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.

**DCLG:** Department for Communities and Local Government – Responsible for Government policy and advice on community affairs and local Government.

**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.

**DEFRA:** Department for Environment, Food and Rural Affairs. Responsible for government policy and advice on environmental, agricultural and rural issues.

**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.

**DWP:** Department for Work and Pensions

## 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 of the council.

**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 consumed 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 account:** 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.

**FRS:** Financial Reporting Standard. Accounting standards that apply to all accounts unless there is legislation or a SORP covering that area.

## 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.

## 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.

**LOBO:** Lenders Option Borrowers Option. A form of loan that has option dates. These are dates where the lender has the ability to change the interest rate. If this happens the borrower then has the option of either continuing the loan or redeeming it in full without any penalty.

## 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

**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 an 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

**SORP:** Statement of Recommended Practice applicable to preparing the accounts. This usually pays reference to accounting standards (FRS, SSAP UITF) and modifies them for a particular industry i.e. Local Government.

**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. Accounting standards that apply to all accounts unless there is legislation or a SORP covering that area.

**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. These are abstracts that are accounting standards that apply to all accounts unless there is legislation or a SORP covering that area.

**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

**WATMOS:** Walsall Alliance of Tenant Management Organisations. A registered social landlord in Walsall that was created as a result of the large scale voluntary transfer of all the council's housing stock.

**WCVS:** Walsall Council for Voluntary Services.

**WHG:** Walsall Housing Group. A registered social landlord in Walsall that was created as a result of the large scale voluntary transfer of all the council's housing stock.

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