Land & Buildings valuations

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	The risks for this estimate are based on the incorrect values being used by the valuer for this. Also the timing of the valuations which is dependent on building inflation. To address these risks a review is carried out of the valuations against previous valuations to determine whether the valuations are reasonable. To guard against inflationary pressures the valuation date is currently 31 March. This was changed from 1 January in 2022/23 due to the high inflationary environment at the time. Given that the majority of council valuations are DRC, these are valued on an annual basis to minimise the impact of a five year valuation cycle for all other land and buildings.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models this year, and if so what was the reason for the change?	The methods used for this align with the CIPFA code and RICS guidance. The assets for valuation are selected by management and provided to the council's valuer. They then decide whether the valuation can be carried out by the council's internal valuation team or whether a property needs to be valued by an external valuer. There have not been any changes made to the methods used for land and building valuations in 2023/24
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions this year, and if so what was the reason for the change?	For DRC valuations there are minimal assumptions made as it is based on a modern equivalent asset valuation. Therefore, it is dependent on floor area and BICS unit costs for the type of asset. For these the only estimation is in reality the amount of depreciation applied to the valuation due to property condition. This is achieved through use of the valuers professional judgement. For the other valuations these are existing use valuations which is dependent on valuer judgement taking into account similar properties within the area to base the valuation on. Where a valuation looks unreasonable management asks the valuers for comments as to why there is a significant change in value. It is anticipated that the basis for assumptions for 2023/24 will not be different to those in 2022/23.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in this year, and if so what was the reason for the change?	Management selects the assets required based on the valuation type and when the asset was last valued. This is from the council's asset register held on the CIPFA Asset Manager system. All DRC valuations are annual and others on a 5 year valuation cycle. This is then reviewed by the council's asset management team to determine whether any properties have been disposed or should have a different valuation basis. This is then communicated back to the Senior Technical Accounting Manager for agreement to the changes.

	The method of obtaining the source data has not change in 2023/24.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	The use of the council's asset management team is made as they have the required skills in respect of this accounting estimate. The Head of Property and the person leading on valuations are both RICS qualified valuers. Where they believe they do not have sufficient expertise for carrying out the valuations they outsource the valuation work to external valuers who are also RICS qualified.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	The Head of Property is regularly consulted along with the Asset Management Team Leader to determine where we are with regards to completion of the valuation work and whether there any issues that management should be aware of. Once the valuation information is received management reviews this to determine that all the valuations papers are relevant, that the valuations are reasonable and that the valuation upload spreadsheet to go onto CIPFA system is correct.
7. In management's opinion, are there adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Management believes there are adequate controls in place for the calculation of this estimate based on the information outlined in the previous questions. The annual review of valuation results provides a level of assurance for management. This is reinforced by the questioning of any valuations that appear unusual given prior valuations or valuations of similar properties within those properties being valued in year.
8. Were any changes made to the key control activities this year? If so please provide details.	No changes to key controls were made this year.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	A sensitivity analysis is carried out on valuations to determine the level of impact on values for 1% and 5% variations in values. Also any assets not valued in years are also reviewed by the Head of Property/Asset Management Team Leader to determine an estimated movement in value based on index uplifting. This gives management evidence as to whether any further assets would need revaluation in year or whether the difference in valuations would be immaterial to the population and readers of the accounts.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	See question 9

Depreciation and useful lives assessment

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	At present no material accuracy risk has been identified for this estimate. This is based on a review of estimates used for last year.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models this year, and if so what was the reason for the change?	The method used for depreciation align with the CIPFA code. Depreciation is applied on a straight line basis with full depreciation applied in year of acquisition and no depreciation in year of disposal. Infrastructure useful economic lives is based on an assessment for each category by our highways engineers. Property assets useful life is based on the judgements made by the council's internal valuers/external valuer as at valuation. For useful lives of vehicles management consult with the fleet manager as to what they believe the useful life of the vehicle is expected to be. Following the extension of lives of vehicles a list of vehicles is sent to the fleet manager for them to determine whether the remaining useful economic life of the asset needs amending. There have not been any changes made to the methods used for significant accruals in 2023/24
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions this year, and if so what was the reason for the change?	See Question 2 A change being made in year is the review of existing vehicle lives to determine whether they should be extended as a number of vehicles are now being used for longer than the original useful life that was assessed.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in this year, and if so what was the reason for the change?	The source information used for this estimate is based on the information contained within the council's asset register once updated for any capital expenditure within the year. There have not been any changes to where the source data comes form in 2023/24.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	See Question 2
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Depreciation is calculated within the CIPFA Asset Manager which also produces the required journal entries. The Senior Technical Accounting Manager downloads the required journal entries and puts these in to the required format for upload into One Source. Useful lives are input into the Asset Register under the Senior Technical Accounting Manager's direction.

7. In management's opinion, are there adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	There are adequate controls in place over the calculation of depreciation. This is due to the calculation being contained within CIPFA Asset Manager. Access to the capital module is restricted to named staff. However the process runs are carried out under the Senior Technical Accounting Manager's direction.
8. Were any changes made to the key control activities this year? If so please provide details.	There are no changes to the key control activities in 2023/24 to those in prior years.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	The estimation uncertainty related to this accounting estimate is dependent on the useful life assigned. Based on prior years there will be very little uncertainty to the estimate unless the wrong useful life has been used or in the case of a revaluation that the prior years valuation figure was incorrect as valuations are carried out at year end at present. This therefore means there is also very little sensitivity to the estimate as well.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	See question 9

Valuation of share of LGPS pension assets and liabilities

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	There is a risk that the council does not calculate the net liability correctly due to lack of expertise, background information and knowledge leading to the council's accounts not showing a true and fair view. To mitigate this issue the use of external experts, the pension fund scheme actuary, is being used. The calculations are being carried out on an IAS19 basis in line with the CIPFA Accounting Code of Practice.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models this year, and if so what was the reason for the change?	The models for this accounting estimate are based on the advice provided to management by the scheme actuary. There is a check that these models are in line with the Code of Practice and current practice. At present management are not aware of any changes required to the models. However this is on the basis that the information from the pension fund and actuaries for how the valuation will be carried out has not yet been distributed.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions this year, and if so what was the reason for the change?	The scheme actuaries provide management a briefing paper which outlines the assumptions being considered for the valuation exercise. These are then considered by management to ensure that the assumptions being used are relevant and suitable for the exercise. Management will review the briefing paper from the actuaries when it is distributed. Until then we are not aware that we will need to make changes to the assumptions beyond any that may be identified by the actuary.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in this year, and if so what was the reason for the change?	The selection of source data is based on the requirements needed to carry out the actuary valuation such as the number of scheme members split into active, not active and pensioners, current pensionable pay. As the exercise begins in the February it is determined by management that the use of pensionable ay up to the end of December with an estimate for the remaining three months is reasonable given the information requirements of the actuary. In addition all other information is drawn either from the council's records where available, or from the records held by the pension fund where it involves the fund as a whole or pensions/non active members. It is anticipated that there will be no changes in where this source data is obtained from in 2023/24.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	As this is a valuation of net pension liabilities specialised skills and knowledge are required. In particular skills and knowledge of carrying out actuary calculations and valuations. As the council is a member of the West Midlands Pension Fund along with numerous other local authorities and other organisations the procurement of the required specialists is carried out by the WM Pension Fund on behalf of all its members. This ensures there is a

	common approach across all the scheme members and a single point of contact between actuary and scheme members for queries and data collection.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Management at WM Pension Fund monitor the operation of control activities in relation to this estimate. Walsall Council management do review papers which are passed through for management consideration such as assumptions, proposed changes etc. There are also secondary checks in terms of information that is provided to the actuary by the Pension Fund carried out to confirm the council is happy with the information being provided. Any significant changes are also discussed at a West Midlands level through the West Midlands Accountancy Group.
7. In management's opinion, are there adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Management believe that there are adequate controls in place concerning the calculation of this estimate. The adequacy is reviewed by Walsall Council management by review of the documentation sent through by the actuary, consultation with the WM Pension Fund on any items that require clarification and an analytical review against figures produced for last year in light of assumption variances and information provided by the actuary.
8. Were any changes made to the key control activities this year? If so please provide details.	No changes have been made to key control activities this year.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Our experts, the actuary, produce a sensitivity analysis from which uncertainties can be identified within the calculation. These are disclosed within the accounts. In addition all information within the actuary returns following calculation are reviewed to ensure that where information directly relates to items measurable by the council e.g. employee contributions these are assessed against the information provided and within the council's accounts.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	See reply to question 9

Income and expenditure accruals

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	The risks identified relating to material accuracy of significant accruals is that an incorrect basis for an estimated accrual is used or that significant accruals are missed. Senior finance officers review accrual schedules for the year to do a sense check and see if whether any accruals they are aware of are missing. This check is also carried out by senior finance officers within the corporate centre. In addition finance officers within the centre provide to the accounting teams during closedown transaction lists of payments made during April to ensure that any material invoices relating to 2023/24 paid during April are picked up and accrued for correctly.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models this year, and if so what was the reason for the change?	The methods used for this align with the CIPFA code. Where invoices are available then these are used as the basis. Where estimates are required a review of the prior expenditure patterns in the year/known costs to that date that have not been invoiced are determined and these form the basis of the accrual. If it is for a prepayment/receipt in advance/interest then a calculation is made based on number of days. There have not been any changes made to the methods used for significant accruals in 2023/24
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions this year, and if so what was the reason for the change?	For those accruals based on invoices no assumptions required, only judgement made is that the accrual complies with the accounting policy. For estimated accruals assumptions used are based on known outstanding costs based on records, apportionments of costs based on periods the costs are due for and any known issues that could affect the estimate (such as outstanding grants claims). There have been no changes to these assumptions in 2023/24.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in this year, and if so what was the reason for the change?	The source data for the estimate is based on actual invoices, maintained accounting records, known grant agreements, loan records, investment records and other records for number of social care clients etc. Use of the accounts payable and accounts receivable sub-ledgers are also made. There have been no changes to the location of source data in 2023/24
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	No specialised skills or knowledge were required for this accounting estimate.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Senior service finance officers review the accruals that have been entered for the year. This includes questioning of the assumptions used to ensure they are appropriate.

	Accruals are then reviewed by the senior corporate finance officers to ensure sufficient evidence of calculation etc is available. If unsure these officers ask questions about the accruals to satisfy themselves that they are appropriate.
7. In management's opinion, are there adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	See question 6
8. Were any changes made to the key control activities this year? If so please provide details.	There were no changes to key control activities this year.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	As these accruals are based on invoices or known fees/grant claims there is very little estimation uncertainty attached to these. Where estimation may lead to uncertainty then the estimate is reviewed to ensure it matches with best knowledge at the time and that it is in keeping with similar charges that have been paid during the year to minimise any potential uncertainty.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	See answer to question 9

Valuation of investment in BAHL

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	There is a risk that valuations do not accurately reflect the market and the Statement of Accounts therefore do not give a true and fair view. To mitigate this, valuations are carried out by external valuer ('BDO'), in accordance with the Code of Practice on Local Authority Accounting. Following this, the asset revaluations are critically reviewed by Solihull Council (as lead authority) and Walsall's Financial Reporting team, with any significant variances from previous valuations or expectations queried and discussed with Solihull Council.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models this year, and if so what was the reason for the change?	The shares are not quoted on a stock exchange. On behalf of the West Midlands Authorities, Solihull Council commission BDO to undertakes a valuation review using Level 3 Inputs using an Earnings Based Approach. Earnings multiples are based on an average of the lower-quartile earnings and transaction multiples for the industry. No changes are anticipated to these methods or models in 2023-2024.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions this year, and if so what was the reason for the change?	Assumptions are selected by the valuer in accordance with the Code of Practice on Local Authority Accounting. Walsall Financial Reporting team review these assumptions and challenge where necessary. No changes are anticipated in 2023-2024.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in this year, and if so what was the reason for the change?	Solihull Council, as lead authority, source data from Birmingham Airport Holdings Ltd regarding the financial position and statements. BDO then used their available data to source comparative information and any other additional information to inform the valuation. No changes are anticipated to be made to the source data in 2023-2024.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	The valuer advises on the accounting estimates used in the valuations. The valuer is sourced through a tender process.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	See Question 1
7. In management's opinion, are there adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, valuations are carried out in accordance with the Code of Practice on Local Authority Accounting.

8. Were any changes made to the key control activities this year? If so please provide details.	No changes are anticipated to be made to the key control activities in 2023/24.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Management consider the estimation uncertainty and calculate the impact of a 1% to 5% fluctuation in other land and buildings values.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	See Question 9