

Section 4

Main financial statements

Consolidated Revenue Account

2004/05 Net Expenditure £m	Service	2005/06		
		Gross Expenditure £m	Gross Income £m	Net Expenditure £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)
347.795	Net cost of general fund services	613.827	252.775	361.052
	Other operating costs:			
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)
341.804	Net operating expenditure			347.262
	Appropriations to or from reserves:			
(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)
323.550	Amount to be met from government grants and local taxation			343.410

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.

The Cashflow Statement

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

2004/05 £m	Cashflow statement	2005/06 £m	
	Revenue activities		
	Cash outflows		
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	
599.082			684.413
	Cash inflows		
(1.891)	Rent	(1.792)	
(73.056)	Council tax/community charge	(77.166)	
	Precept income	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	
(612.807)			(692.031)
(13.275)	Revenue activities net cashflow		(7.618)
	Servicing of finance		
9.114	Interest paid	9.866	
0	Interest element of finance lease rentals	0	
(3.016)	Interest received	(5.768)	
6.098			4.098
	Capital activities		
0	Purchase of fixed assets	0	
9.000	Purchase of long term investments	3.000	
46.989	Other capital cash payments	60.082	
55.989			63.082
(3.424)	Sale of fixed assets	(4.564)	
(17.053)	Capital grants	(31.516)	
(1.470)	Other capital cash receipts	(0.455)	
(21.947)			(36.535)
(26.415)	Net cash outflow/(inflow) before financing		23.027
	Financing		
83.820	Repayments of amounts borrowed	6.363	
(97.469)	New loans raised	(29.585)	(23.222)
12.766	Net change in cash and equivalents		(0.195)

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

1. 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.

2. 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 Total £m	Building regulations charging account	2005/06		
		Chargeable £m	Non- chargeable £m	Total £m
	Expenditure			
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
0.724	Total expenditure	0.547	0.216	0.763
	Income			
(0.478)	Building regulation charges	(0.504)	0	(0.504)
(0.101)	Miscellaneous income	(0.055)	(0.011)	(0.066)
(0.579)	Total income	(0.559)	(0.011)	(0.570)
0.145	(Surplus)/ deficit for year	(0.012)	0.205	0.193

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.

3. 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 £m Total	Pooled fund memorandum account	2005/06		
		£m Cash	£m Grant	£m Total
	Gross funding:			
(11.319)	Walsall tPCT	(12.778)	(0.215)	(12.993)
(11.489)	Walsall Council	(12.847)	(0.805)	(13.652)
(22.808)		(25.625)	(1.020)	(26.645)
	Expenditure:			
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
22.718		25.295	1.020	26.315
(0.090)	Net (Under)/Over spend	(0.330)	0	(0.330)

4. 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.

	West Midlands Authorities Pension Fund			
	2004/05 %	2004/05 £m	2005/06 %	2005/06 £m
Expected rate of return on assets				
- 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%	
Split between investment categories				
- 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
Total	100%	337.796	100.00%	421.956

5. 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.

2004/05 £m	Intangible Fixed Assets	2005/06 £m
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)
0.082	Total	0.275

6. 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 £m	General Reserve	2005/06 £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
6.628	Total	5.295

7. Collection fund reserve

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

8. Other earmarked reserves

2004/05 £m	Other Earmarked Reserves	2005/06 £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
22.183	Total	21.441

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.

9. 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 £m	Reconciliation of consolidated revenue accounts	2005/06 £m
2.237	Net deficit/(surplus)	0.940
	Add back:	
(6.098)	Servicing of finance	(4.098)
(9.711)	Revenue cash activities on balance sheet	(8.461)
	Non-cash transactions:	
(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
	Items on an Accruals Basis	
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
(13.725)	Revenue activities net cash flow	(7.618)

10. Movement in cash and cash equivalents

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

Movement in cash and cash equivalents	As at 31.03.05 £m	Movement £m	As at 31.03.06 £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
Net cash outflow	39.527	0.195	39.722

Section 6

Additional financial statements

Collection fund

1. Income and expenditure account

2004/05 £m		Note	2005/06 £m
	Income		
60.526	Income from business ratepayers	2	61.043
73.828	Income from council tax payers	3	77.700
20.260	Benefits		21.247
154.614			159.990
	Expenditure		
	Precepts and demands:		
84.530	Walsall Metropolitan Borough Council	5	87.930
6.079	Police	5	6.360
2.984	Fire and Civil Defence	5	3.132
93.593			97.422
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
155.185			159.732
0.218	Collection fund balance brought forward at 1 April		0.789
155.403			160.521
0	Transfer to Precepting Authorities		0
0	Amount used to support council tax		0.260
(0.789)	Collection fund balance carried forward at 31 March	6	(0.790)
154.614			159.991

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.