



STATEMENT OF ACCOUNTS 2005/6 (POST AUDIT)

Ward(s): ALL

Forward Plan: Yes

Chair: Cllr J. G. O'Hare – Deputy Leader

Service: Corporate financial report, covering all services.

Summary of report:

This report presents the Audit Commission's annual governance report (**Appendix 1**) and the authority's audited statement of accounts (**Appendix 2**) for the financial year 2005/6 in accordance with the Accounts & Audit Regulations 2003 as amended 2006.

Background Papers:

Various financial working papers.

Recommendations:

1. Receive the annual governance report from the Audit Commission on their audit of the 2005/6 statement of accounts and consider the key messages (**Appendix 1**).
2. Note that there have been agreed amendments made to the accounts during the audit, the financial impact of which is minimal.
3. Consider and approve the letter of representation attached with **Appendix 1**.
4. Approve the action plan set out in **Appendix 1** addressing the recommendations set out in annual governance report.
5. Receive and approve the final post-audit statement of accounts for 2005/6. (**Appendix 2**).
6. Authorise the Executive Director (CFO) to distribute copies of the audited statement of accounts to all partners and stakeholders.

Signed:

Executive Director: Carole Evans

Date: 21.09.06

Resource and Legal Considerations

As at 31.03.06 the final audited statement of accounts shows aggregate general fund services (including PSE's and earmarked reserves) to have overspent by £0.975m against a net budget of £342.470m. This was a planned overspend, to be met by

reserves, as approved by Council on 7.03.05. The overall effect results in net general reserves of £5.260m as at 31.03.06.

The Accounts and Audit Regulations 2003, and Accounts and Audit (Amendment) (England) Regulations 2006, requires that those charged with governance make accurate representations to the auditor in respect of fair presentation of the accounts. This responsibility lies with the Audit Committee and the committee is asked to receive and endorse the letter of representation. The CFO has reviewed and agreed the letter of representation with the Audit Commission and formally signed to confirm these representations are correct.

Citizen Impact

The 2005/6 budget was policy-led and aligned with activity in service plans. Investment was targeted at modernisation, service improvement and service-user demand. Demonstration of financial stability and management promotes public confidence and credibility.

Environment Impact

Some investment within the statement of accounts supported environmental improvements.

Performance Management and Risk Management Issues

The 2005/6 outturn provides a sound, stable financial foundation to drive service improvement. As part of the council's performance management system, managers are set many targets, one of which is to deliver their service targets within the cash limited budget. This has been demonstrated in 2005/6.

The governance report at **Appendix 1** has identified a number of improvements to the process of producing the annual statement of accounts. These have been agreed by officers and an action plan produced. Audit Committee is asked to approve this action plan.

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

Equality Implications

Services have regard to equalities issues in delivering services.

Consultation

The report is prepared in consultation with the CFO.

Contact Officer:

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Annual Governance Report

September 2006



Annual governance report

Walsall Metropolitan District Council

Audit 2005/06

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports to the Authority

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or
- any third party.

Copies of this report

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

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Purpose of this report

- 1 We are required by the Audit Commission's statutory Code of Audit Practice for Local Government bodies (the Code) to issue a report to those charged with governance summarising the conclusions from our audit work. For the purposes of this report, the Authority's Audit Committee is considered to fulfil the role of those charged with governance and references to the Audit Committee should be read as such.
- 2 We are also required by professional auditing standards to report to the Audit Committee certain matters before we give our opinion on the financial statements. The section of this report covering the financial statements fulfils this requirement.
- 3 This is our annual governance report covering the audit of the Authority for the year ended 31 March 2006 and is presented by the District Auditor.
- 4 The principle purposes of the report are:
 - to reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and the Audit Committee;
 - to share information to assist both the auditor and those charged with governance to fulfil their respective responsibilities; and
 - to provide the Audit Committee with recommendations for improvement arising from the audit process.
- 5 The Audit Commission has circulated to all audited bodies a Statement of Responsibilities of Auditors and Audited Bodies that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement.

Scope of the report

- 6 In undertaking our audit, we comply with the statutory requirements of the Audit Commission Act 1998 and the Code. Auditors' responsibilities are to review and report on, to the extent required by the relevant legislation and the requirements of the Code:
 - the Authority's financial statements; and
 - whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 7 Our risk assessment and planned response to the key audit risks was summarised in our audit and inspection plan. A summary of our responsibilities and audit approach is included in Appendix 1. The annual governance report summarises the significant findings, conclusions and recommendations arising from our audit work. The results of our inspection work, and our separate grant claims' certification programme, will be reported in the Relationship Manager Letter later in the year.

- 8** We have issued separate reports during the year having completed specific aspects of our programme, which are listed in Appendix 2. Appendix 3 provides information about the fee charged for our audit and Appendix 4 sets out the requirements in respect of independence and objectivity.

Key messages

Financial statements

- 9 Our work on the financial statements is now substantially complete. We anticipate being able to issue an unqualified opinion by 29 September 2006 (a draft report is attached at Appendix 5). While a number of changes have been made to the accounts as a result of the audit, these have had only a minimal impact on the Council's overall financial position.

Use of resources

- 10 Our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources is now complete. We anticipate being able to issue an unqualified conclusion on the use of resources by 29 September 2006 (a draft report is attached at Appendix 5).

Financial statements

- 11 We are required to give an opinion on whether the Authority's financial statements present fairly:
- the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended; and

Status of the audit

- 12 Our work on the financial statements is now substantially complete.

Matters to be reported to the Audit Committee

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

Expected modifications to the auditor's report

- 14 On the basis of our audit work we currently propose to issue an unqualified audit report. A draft audit report is attached at Appendix 5.

Uncorrected misstatements

- 15 There are no non trivial uncorrected misstatements

Adjusted misstatements

- 16 To assist you in fulfilling your governance responsibilities, we are required to consider reporting adjusted misstatements to you where these are material or significant. We therefore draw your attention to the list of significant misstatements that management has adjusted in Table 2 below. A complete listing of all amendments has been provided to officers. There were no material adjustments.

Table 1 Adjusted misstatements in the financial statements

Details of significant adjustments made to the financial statements

Issue	Value of misstatement £	Impact on surplus/(deficit)
The bank balance shown in the accounts has been amended. The originally reported credit balance of £3.5m changes into credit balance of £2.5m. The cash overdrawn changed	£4.1m overdrawn	None

Issue	Value of misstatement £	Impact on surplus/(deficit)
<p>from nil to £3.1m. There are consequent adjustments on creditors. The adjustment arises because of a £2.3m error made in the reconciliation of the bank statement to the council's accounting records and the way that timing differences in payments of £2.2m had been treated.</p>		
<p>There were process errors in the automatic accruals provided from the Oracles system. The accounts presented for audit included items which related to the following financial year. When our initial sample raised concerns about the accuracy of these estimates officers carried out an extensive review of all items over £1,000. The errors identified have been adjusted and the error percentage (13.4%) has been applied to the balance of items under £1,000.</p> <p>Officers responded promptly to the identification of this error and have implemented new procedures and provided training.</p>	£315,000	Increased surplus by £315,000.
<p>The interest accrual on long term borrowing was understated by £211,000 due to an error in a spreadsheet</p>	£211,000	Creditors have been increased by £211,000.
<p>The Housing Benefit grant claim presented for audit was subsequently amended by officers from a creditor of £240,000 to a debtor of £443,000. (NB we have not yet finalised our audit of the claim itself)</p>	£693k.	Nil effect.

- 17 As a result of some of the above changes, the Executive Director has taken the opportunity to reassess the levels of certain reserves and provisions, specifically the housing benefit bad debt provision £288k and the single status reserve £405k.

- 18 We noted a further improvement in the quality of working papers provided to support the figures in the accounts. This arose from an increased awareness following further training and the formal review of supporting papers carried out by senior finance staff. There is still more that could be done
- Ensuring all staff (not just finance professionals) involved in the accounts preparation process are fully aware of the importance for accountability to the public of the production of the financial statements
 - Ensuring all staff are fully conversant with the systems they use and the information those systems produce
 - Ensuring that all staff understand the techniques needed to ensure that income and expenditure is in the correct financial year.
 - Build time into the closure programme to enable senior management to have more time to review the draft accounts and supporting papers before the accounts are submitted for consideration by the Audit Committee

Recommendations
<i>R1 Further Improve processes for producing the financial statements, such as those for allocating expenditure to the right year, to ensure the accounts presented for approval are free from significant errors and supported by a robust set of working papers.</i>
<i>R2 Identify further training needs to help enhance the production of future year's financial statements</i>
<i>R3 Ensure that the programme provides more time for senior management review.</i>

Qualitative aspects of accounting practices and financial reporting

- 19 Our audit includes consideration of the qualitative aspects of the financial reporting process, including matters that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. We wish to report the following matters to you.
- The system for automatic accruals in Oracle was not fully understood by all users leading to an overstatement of creditors.
 - Not all assets which generate capital receipts have been included in the asset register. Many of these are ransom strips which are of little intrinsic value until another development is proposed on adjacent land.
 - There were a number of Sure Start grant claim balances in the accounts which were unsupported by claims working papers until very late in the audit process. These amounted to over £2m.

Recommendations

R4 Ensure that preparers of Sure Start grant claims are fully aware of the need to provide evidence to support the figures in the accounts even though the deadline for the submission of the claim may not have been reached at the time the accounts are presented for audit.

Material weaknesses in internal control identified during the audit

- 20 There are no other significant issues which we wish to bring to the attention of the audit committee. Other issues of detail arising from our audit will be discussed with management in a separate report.
- 21 We have not provided a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made, but have addressed only those matters which have come to our attention as a result of the audit procedures we have performed.

Matters specifically required by other auditing standards

- 22 Other auditing standards require us to communicate with you in other specific circumstances including:
- where we suspect or detect fraud;
 - where there is an inconsistency between the financial statements and other information in documents containing the financial statements; and
 - non-compliance with legislative or regulatory requirements and related authorities.

There are no matters in relation to the above which we wish to bring to your attention.

Any other matters of governance interest

- 23 Finally, we are required to report any other matters that we believe to be of governance interest. We report these matters in Table 2 below.

Table 2 Other matters of governance interest

There are a number of other matters that we would like to bring to the attention of those charged with governance

Area	Auditor responsibility	Impact
Statement of internal control (SIC)	The auditor reviews the SIC for compliance with the requirements of proper practice as specified by CIPFA and consistency with other information from the audit of the financial statements.	We are satisfied that the SIC is prepared in compliance with CIPFA guidance and that it is consistent with other information we have obtained during our audit.
Whole of Government Accounts' consolidation pack	The auditor is responsible for issuing a report on the consistency of the Authority's consolidation pack with the statutory financial statements.	We have not yet been presented with the schedules for this work but from our discussion with officers we anticipate there will be no significant issues arising
Investigation into Employment Tribunal issues	The District Auditor is currently conducting an investigation into the events surrounding the way in which the council has managed ET issues.	This work is not yet finalised but there are no issues which directly affect the opinion on the 2005/06 accounts.

Letter of representation

- 24 We obtain written representations from management as an acknowledgement of its responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. The text of the required letter of representation is included at Appendix 6.

Next steps

- 25 We are drawing these matters to the Audit Committee's attention so that:
- you can consider them before the financial statements are approved and certified; and
 - the representation letter can be signed on behalf of the Authority and those charged with governance before we issue our opinion on the financial statements.

Use of resources

Value for money conclusion

- 26 The Code requires us to reach a conclusion on whether we are satisfied that the Authority has proper arrangements in place for securing economy, efficiency and effectiveness in its use of your resources (the value for money conclusion). In meeting this responsibility, we will review evidence that is relevant to the Authority's corporate performance management and financial management arrangements. Our work in reaching the value for money conclusion is integrated with our work on the use of resources assessment. The use of resources assessment is a qualitative assessment of the effectiveness of the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. The five areas we make assessments on are; financial statements, financial management, financial standing, internal control and value for money.
- 27 We have completed our work in relation to the use of resources and there are no matters which we wish to draw to the attention of the Audit Committee.
- 28 The areas which we consider are summarised below
- Strategic objectives
 - Consultation
 - Performance management
 - Data quality
 - Internal control
 - Risk management
 - Improving value for money
 - Financial strategy
 - Budget setting and monitoring
 - Asset management
 - Probity

Use of auditors' statutory powers

- 29 Auditors are required to consider the exercise of certain statutory powers during the course of the audit, as summarised in Table 3 below.

Table 3 Use of statutory powers

Insert text

Issue	Auditor responsibility	Impact
Section 8 reports	Section 8 of the Act requires that auditors should consider whether, in the public interest, they should report on any matter that comes to their attention in the course of the audit so that it may be considered by the body concerned or brought to the attention of the public.	There have been no section 8 reports in respect of the financial year 2005/2006.
Section 11 recommendations	To consider whether a written recommendation should be made to the audited body requiring it to be considered and responded to publicly.	There have been no s11 recommendations.
Best value	To consider whether to recommend that the Audit Commission should carry out a best value inspection of the Authority under section 10 of the Local Government Act 1999 and/or that the Secretary of State should give a direction under section 15 of that Act.	Our work in respect of the Authority's 2005/2006 Best Value Performance Plan (BVPP) was reported in the 2005 annual audit and inspection letter. No recommendations were made to the Audit Commission or the Secretary of State.

Closing remarks

- 30 This report has been discussed and agreed with the Executive Director, Corporate Services. A copy of the memorandum will be presented at the Audit Committee on 29th September 2006.
- 31 The report makes a number of recommendations. An action plan is included at Appendix 7, which includes responses from management and indicative target dates for the implementation of recommendations.
- 32 The Authority has taken a positive and constructive approach to our audit and I would like to take this opportunity to express my appreciation for the Authority's assistance and co-operation.

John Gregory

District Auditor

September 2006

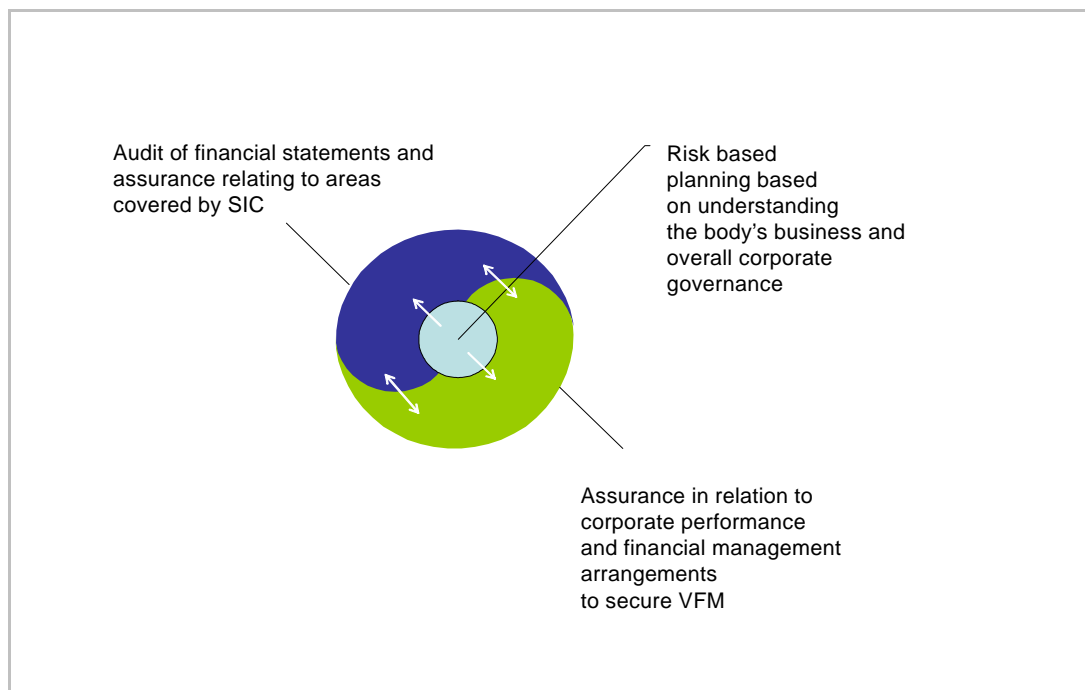
Appendix 1 – Audit responsibilities and approach

Audit objectives

- 1 Our objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on the significant risks that are relevant to our audit responsibilities.

Figure 1 Code of Audit Practice

Code of practice responsibilities



Approach to the audit of the financial statements

- 2 In our approach to auditing the financial statements, we adopt a concept of materiality. Material errors are those which might be misleading to a reader of the financial statements. We seek, in planning and conducting our audit of the accounts, to provide reasonable assurance that your financial statements are free of material misstatement. In planning our work we considered the arrangements of the Authority which had most impact on our opinion. These included:
- the standard of the overall control environment and internal controls;
 - reliance on internal audit;
 - the likelihood of material misstatement occurring from material information systems; or a material error failing to be detected by internal controls;
 - any changes in financial reporting requirements; and
 - the effectiveness of procedures for producing the financial statements and supporting material.
 - The results of the above feed into our risk assessment which determines the level and type of testing undertaken on each element of the financial statements.

Approach to audit of arrangements to secure value for money

- 3 The scope of these arrangements is defined in paragraph 20 of the Code as comprising:
- corporate performance management; and
 - financial management arrangements.
- 4 Our conclusion is informed and limited by reference to relevant criteria covering specific aspects of audited bodies' arrangements, specified by the Code.

- 5 In planning audit work in relation to the arrangements for securing economy, efficiency and effectiveness in the use of resources, considered and assessed relevant significant business risk. Significance is defined by the Code as 'a matter of professional judgment and includes both quantitative and qualitative aspects of the risk'.
- 6 The potential sources of assurance when reaching the value for money conclusion include:
 - the Authority's whole system of internal control as reported in its statement on internal control;
 - results from statutory inspections or the work of other regulators, for example, corporate assessments, service assessments (whether by the Commission or other regulators), etc.;
 - work specified by the Audit Commission, for example, the use of resources assessments, and data quality work;
 - links to the financial statements' audit, including review of internal audit, the SIC and budgetary control arrangements; and
 - other work necessary to discharge our responsibilities.

Appendix 2 – Audit reports issued

Table 4

Planned output	Planned date of issue	Actual date of issue	Addressee
Audit and inspection plan	September 2005	September 2005	Audit Committee
Interim audit memorandum	June 2006	June 2006	Management
Annual governance report	September 2006	September 2006	Audit Committee
Opinion on financial statements	September 2006	September 2006	The Authority
Value for money conclusion	September 2006	September 2006	The Authority
Final accounts memorandum	October 2006		Management
Use of resources assessments	October 2006		Management
BVPP report	October 2006		The Authority
Putting the Citizen First	February 2006	February 2006	Audit Committee
Strategic Housing Services	May 2006	May 2006	Management
Preparations for the Children's Act	May 2006	May 2006	Management
Data quality	May 2006	July 2006	Management
Sure Start follow up	August 2006	August 2006	Management
Public Interest Disclosure NRF and other issues	July 2006	July 2006	Management
Public Interest Disclosure Domiciliary Care	August 2006	August 2006	Management

Appendix 3 – Fee information

Table 5

Fee estimate	Plan 2005/06	Actual 2005/06
Audit		
Accounts*	137,000	137,000
Use of resources*	177,000	146,000
Total audit fees**	314,000	283,000

* The reduction in Use of resources work takes account of the termination of the Putting the Citizen First project which removed the need for a significant amount of audit work

** The outturn on inspection and grant certification fees will be reported in the Relationship Manager Letter

Appendix 4 – The Audit Commission’s requirements in respect of independence and objectivity

- 1 We are required by the standard to communicate following matters to the Audit Committee:
 - the principal threats, if any to objectivity and independence identified by the auditor, including consideration of all relationships between the Authority, directors and the auditor;
 - any safeguards adopted and the reasons why they are considered to be effective;
 - any independent partner review;
 - the overall assessment of threats and safeguards; and
 - information about the general policies and processes for maintaining objectivity and independence.
- 2 We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing and ethical standards.

Appendix 5 – Independent auditor’s report to Walsall Metropolitan Borough Council

Opinion on the financial statements

I have audited the financial statements of Walsall Metropolitan Borough Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves and the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Walsall MBC in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission .

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer’s responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control reflects compliance with CIPFA’s guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures

I read other information published with the financial statements, and considered whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword by the Executive Director and the Summary of the 2005/06 Financial Year. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

John Gregory

District Auditor

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B90 4EB

29th September 2006

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s Responsibilities

The authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority’s assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority’s best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in August] 2005, in all significant respects, Walsall MBC made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

Best Value Performance Plan

I issued my statutory report on the audit of the authority’s best value performance plan for the financial year 2005/06 on 20 December 2005. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

John Gregory

District Auditor

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29th September 2006

Appendix 6 – Letter of representation

Mr J Gregory
District Auditor
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Dear Mr Gregory

Walsall Metropolitan Borough Council – Audit for the year ended 31 March 2006

This representation letter is provided in connection with your examination of the financial statements of Walsall MBC as at 31st March 2006 and for the year then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly the state of affairs of Walsall MBC, the financial position at the year-end and the income and expenditure for the year.

We acknowledge our responsibility for the fair presentation of the financial statements in accordance with The Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, and for making accurate representations to you.

We would confirm to the best of our knowledge and belief, and having made appropriate enquiries of other directors and officers, the following representations given to you in connection with your audit:

- There are no significant post balance sheet events which require adjustment to or disclosure in the financial statements not already disclosed;
- There are no significant pending litigations, proceedings or claims which require adjustment to or disclosure in the financial statements not already disclosed;
- There are no significant contingent liabilities other than those disclosed in the notes to the balance sheet;
- There are no known bad debts other than those already provided for in the financial statements;
- There are no known instances of non-compliance with laws or regulations likely to have a significant effect on the finances or operations of the Authority;

- There are no material losses, contingencies, or uncertainties arising through a weakness in internal financial control not already disclosed in the financial statements;
- There are no known instances of irregularities, including fraud, likely to have a significant effect on the finances or operations of the Authority;
- There have been no disposals of fixed assets during the year other than those recorded in the financial statements;
- All provisions and contingent liabilities have been identified and accounted for in accordance with Financial Reporting Standard (FRS) 12;
- All impairments to fixed assets have been identified and accounted for in compliance with FRS 11;
- the Authority intends to continue to hold long term investments as long term investments
- There are no known intangible assets including patents, trade marks licenses or custodies over intellectual property rights other than those included in the accounts;
- The assets of the Authority have not been used in any way as security for loans. All obligations under finance leases or hire purchase contracts have been disclosed in the accounts
- The Actuary has been informed of all unfunded and discretionary benefits and these items have been incorporated in the FRS 17 liability figures included in the accounts;
- The Actuary has been informed of all significant events (eg major outsourcing etc) that could have a material effect on the valuation of the Scheme's liabilities;
- The Authority has ensured that all members and key managers are aware of the requirement to declare all interests relevant to the Authority including interests of families, partners and entities controlled by them;
- The Authority's registers of interest are complete and up to date
- The Authority is not aware of any other relationships that require disclosure in this statement of accounts in accordance with FRS 8: Related Party Transactions;
- All accounting records have been made available to you for the purpose of your audit and all transactions undertaken by the Authority have been properly reflected and recorded in the accounting records;
- Estimates included in the financial statements reflect our judgment based on knowledge and experience about past and current events and are also based on assumptions about conditions expected to exist and courses of action expected to be taken. The financial statements present fairly the financial position of the Authority;
- Provisions have been calculated on a prudent basis using the best known information currently available;

- The financial statements have been prepared on a going concern basis and include such disclosures, if any, relating to going concern as are necessary for them to present a fair view.

Yours sincerely,

Councillor D Turner
Chair of the Audit Committee

Carole Evans
Executive Director

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Appendix 7 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R1 Further Improve processes for producing the financial statements, such as those for allocating expenditure to the right year, to ensure the accounts presented for approval are free from significant errors and supported by a robust set of working papers.	3	Finance Manager – Capital, performance and Treasury Management	Yes	<p>Corrective action has been implemented as follows:</p> <p>Automated accruals – revised procedure notes.</p> <p>Accounting reversals – further checks and balances in consolidation and review process to ensure all reversals undertaken correctly.</p> <p>In addition, further time of senior officer review is to be built into closure of 2006/7 accounts.</p> <p>The procedure notes cover this issue, the training/workshops provided will draw this out more explicitly.</p>	<p>Part implemented.</p> <p>Fully implemented by 2006/07 closure</p>
9	R2 Identify further training needs to help enhance the production of future year's financial statements	3	Finance Manager – Capital, performance and Treasury Management	Yes	<p>An annual review of the process is undertaken, this will identify the common issues and areas for further training, including those identified in R1.</p>	<p>Review to be completed by 31 Oct 06</p> <p>Fully implement training by March 2007</p>

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R3 Ensure that the programme provides more time for senior management review.	3	Finance Manager – Capital, performance and Treasury Management	Yes	<p>A more robust process of senior officer review was implemented for the 2005/6 accounts. Whilst this proved successful in most instances, this has been identified as requiring further improvement in some areas to ensure that all significant and non-trivial errors are picked up prior to audit and all working papers fully comply with the required standard.</p> <p>The timetable for the 2006/7 accounts will be modified to ensure more time for senior review, challenge and sign-off.</p>	2006/7 accounts
10	R4 Ensure that preparers of Sure Start grant claims are fully aware of the need to provide evidence to support the figures in the accounts even though the deadline for the submission of the claim may not have been reached at the time the accounts are presented for audit.	3	Education Walsall MBC Head of Finance – Children and Young People	Yes	<p>The administration of Sure Start grant claims is contracted out to Education Walsall.</p> <p>Council officers have brought to their attention, their obligations and revised procedures were agreed and put in place during 2005/6. There were not fully followed.</p> <p>Performance in this areas has been subject to audit committee scrutiny.</p>	Ongoing and fully in place to ensure 2006/7 audit runs more smoothly

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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 51)

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 55)

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 57)

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 £0.975 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 £0.260 million better than forecast.

Reserves and Balances

Overall during 2005/06 there was a net deduction from revenue reserves and balances of £0.975million against a planned deduction of £1.235million. The balance on the general fund at the end of 2005/06 stands at £5.260million (£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.

Fund	2004/05 £m Deficit/(Surplus)	2005/06 £m Deficit/(Surplus)
General Fund (see page 18)	2.237	0.975
Collection Fund (see page 51)	0.789	0.846

The £0.846 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.

Capital	Programme £m	Actual £m	Variance £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
Total	82.967	60.082	22.885

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 Type of Asset	2005/06 £m	Capital Financing Source	2005/06 £m
Intangible assets	0.108	Borrowing	13.562
Other land and buildings	20.864	Prudential Borrowing	12.269
Vehicles and equipment	4.712	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
Total Capital Expenditure re Fixed Assets	51.928		60.082
Deferred Charges	8.154		
Total Capital Expenditure	60.082		60.082

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.
19 September 2006

Section 3

Statement on system 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
22 September 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.

.....
David Martin
Acting Chief Executive
22 September 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
22 September 2006

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	80.681	32.222	48.459
184.886	Education services	253.486	60.563	192.923
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	150.815	58.980	91.835
0.833	Court services	0.462	0.121	0.341
8.014	Corporate & democratic core	13.819	4.983	8.836
1.073	Non-distributed costs.	(9.066)	0	(9.066)
347.795	Net cost of general fund services	612.055	252.525	359.530
	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)			(1.010)
1.699	Contribution of housing capital receipts to government pool			1.887
0	Pension interest costs & expected return on pensions assets (see note 19)			0.432
7.377	Transfer from Asset Management Revenue Account (See Note 3)			8.063
(25.797)				(34.815)
341.804	Net operating expenditure			346.402
	Appropriations to or from reserves:			
(3.749)	Capital financing account (MRP adjustment)			7.133
0	Capital expenditure financed from revenue			1.557
(0.042)	Miscellaneous balances			0
(5.081)	Other earmarked reserves			(2.446)
0	Transfer from useable capital receipts equal to contribution to housing pooled capital receipts			(0.432)
(8.386)	Pension reserve (see note 41)			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			343.445

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 assumption used by the actuary in calculating this figure was that there would be a take up of 50% of employees asking for the maximum lump sum available on the pension scheme.

2004/05 Net Expenditure £m	Service	2005/06		
		Gross Expenditure £m	Gross Income £m	Net Expenditure £m
0	This was financed by:			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)
2.237	(Surplus)/ deficit for the year			0.975
(8.865)	General reserve balances at start of the year			(6.628)
0	Allocation to earmarked reserves			0.393
(6.628)	Leaving year end general reserves of: (See Note 33)			(5.260)

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 £m	Consolidated balance sheet	31 March 2006 £m	Notes
	Long term assets		
0.082	Intangible fixed assets	0.161	20
859.052	Tangible fixed assets	864.228	21
17.546	Long term investments	20.546	22
12.845	Long term debtors	11.725	23
889.525		896.660	
	Current assets		
1.011	Stocks and work in progress	0.757	24
53.415	Debtors	50.723	25
46.587	Investments	36.156	26
0	Landfill Allowance Trading Scheme	1.688	27
2.814	Cash in hand	2.578	28
103.827		91.902	
	Current liabilities		
(9.874)	Cash overdrawn	(3.139)	28
(2.986)	Borrowing repayable on demand or within 12 months	(0.365)	29
0	Landfill Allowance Trading Scheme	(1.481)	27
(50.112)	Creditors	(43.914)	30
(62.972)		(48.899)	
930.380	Total assets less current liabilities	939.663	939.663
	Long term liabilities		
(199.498)	Long term borrowing	(225.345)	31
(8.494)	Provisions	(10.628)	32
(236.676)	Defined benefit pension scheme	(236.550)	41
		(472.523)	
485.712	Total assets less liabilities	467.140	467.140
	Revenue Reserves		
(6.628)	General Fund reserve	(5.260)	33
0.789	Collection Fund reserve	0.846	34
(22.183)	Other earmarked reserves	(21.441)	35
		(25.855)	
	Capital Reserves		
(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	(320.029)	39
(22.064)	Deferred government grants and contributions	(31.631)	39
(320.594)	Fixed asset restatement account	(294.772)	40
		(677.836)	
236.676	Pensions reserve	236.551	41
(485.712)	Total reserves and balances	(467.140)	(467.140)

Notes 20 to 57 on pages 32 to 50 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 £m	Statement of total movements in reserves	2005/06 £m	
(0.111)	General Fund surplus / (deficit) (See note 33)	(0.975)	
(2.126)	Housing Revenue Account surplus / (deficit)	0	
(1.384)	Add back movements on earmarked revenue reserves	(1.192)	
(21.797)	Deduct appropriation from pension reserves	(16.324)	
13.411	Increase/(decrease) on the pensions reserve (See Note 41)	16.556	
(74.360)	Actuarial gains and losses relating to pensions (See note 41)	(0.106)	
(86.367)	Total increase/(decrease) in revenue resources (See Notes 33-35 & 41)		(2.041)
0.541	Increase / (decrease) in useable capital receipts	(2.021)	
4.348	Increase / (decrease) in unapplied capital grants and contributions	0.241	
(0.987)	Deferred Credits	(0.876)	
3.902	Total increase/(decrease) in realised capital resources (See Notes 36, 37, 38)		(2.656)
(31.460)	Gains/(losses) on revaluation of fixed assets	(25.366)	
-	Impairment losses on fixed assets due to general changes in prices	0	
-	Gains/(losses) on market value of investments	0	
(31.460)	Total unrealised increase/(decrease) in value of fixed assets (See Note 40)		(25.366)
(0.992)	Value of assets sold, decommissioned or realised (See Note 40)	(0.456)	(0.456)
0.276	Capital receipts set aside	0	
2.511	Revenue resources set aside	2.382	
1.530	Movement on government grants deferred	9.567	
4.317	Total increase/(decrease) in amounts set aside to finance capital investment (See Note 39)		11.949
(110.600)	Total recognised gains and losses	(18.570)	(18.570)

See pages 47 to 48 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 £m	Cashflow statement	2005/06 £m	
	Revenue activities		
	Cash outflows		
241.275	Cash paid to employees	278.156	
222.306	Other operating costs	266.416	
59.447	NNDR payments to national pool	63.560	
54.459	Housing benefit paid	58.596	
21.595	Precepts	21.805	
599.082			688.533
	Cash inflows		
(1.891)	Rent	(1.792)	
(73.056)	Council tax/community charge 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	(97.233)	
(612.807)			(692.015)
(13.275)	Revenue activities net cashflow		(3.482)
	Servicing of finance		
9.114	Interest paid	9.866	
0	Interest element of finance lease rentals	0	
(3.016)	Interest received	(4.964)	
6.098			4.902
	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	(5.372)	
(17.053)	Capital grants	(31.516)	
(1.470)	Other capital cash receipts	(0.456)	
(21.947)			(37.344)
(26.415)	Net cash outflow/(inflow) before financing		27.158
	Financing		
83.820	Repayments of amounts borrowed	6.370	
(97.469)	New loans raised	(29.596)	(23.226)
12.766	Net change in cash and equivalents		3.932

Supporting notes 53 to 57 on pages 49 to 50 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 (Surplus)/ Deficit £m	Trading account summary	2005/06		
		Income £m	Expenditure £m	(Surplus) / Deficit £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
1.699	Total	(18.874)	20.761	1.887

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 £m	2005/06 £m		2004/05 £m	2005/06 £m
Provision for depreciation	20.725	20.809	Capital charges to services	42.478	41.766
External interest paid	8.214	9.002	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	34.815			
	55.654	64.737		55.654	64.737

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 £m	Markets undertaking	2005/06 £'000
(1.148)	Income from stallholders	(0.790)
0.852	Less expenditure	0.690
(0.296)	(Surplus)/ Deficit taken to general fund	(0.100)

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 £m		2005/06 £'000
6.853	MRP – non housing 4%	7.492
(2.059)	LESS: commutation adjustment	(1.612)
4.794	Total	5.880

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
110	Total	151

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 £m	Local Authority (Goods & Services) Act 1970	2005/06 £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
1.185	Total	1.193

11. Members' allowances

The allowances paid to elected members of the council were:

2004/05 £m	Type of Allowance	2005/06 £m
0.584	Basic allowances	0.592
0.161	Special responsibility allowances	0.176
0.745	Total	0.768

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 £m	PFI Project	2005/06 £m
0.023	Street lighting	0.027
0.100	Integrated transport project	0
0.123	Total	0.027

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
Total	52.170

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
Total	116.760

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 50).

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 53). 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 46 - 47.

Joint Venture Partners - Please refer to note 17, Page 28 - 29.

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 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.

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 £m Total	Pooled fund memorandum account Integrated health & social care for adults with learning difficulties	2005/06		
		£m Cash	£m Grant	£m Total
	Gross funding:			
(11.319)	Walsall tPCT	(12.339)	(0.215)	(12.554)
(11.489)	Walsall Council	(12.128)	(0.805)	(12.933)
(22.808)		(24.467)	(1.020)	(25.487)
	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
1.833	Psychiatric & Medical	2.404	0	2.404
1.043	Management & Administration	1.273	0	1.273
22.718		24.320	1.020	25.340
(0.090)	Net (Under)/Over spend	(0.147)	0	(0.147)

2004/05 £m Total	Pooled fund memorandum account Integrated community equipment service	2005/06		
		£m Cash	£m Grant	£m Total
	Gross funding:			
0	Walsall tPCT	(0.439)	0	(0.439)
0	Walsall Council	(0.719)	0	(0.719)
0		(1.158)	0	(1.158)
	Expenditure:			
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
0		0.975	0	0.975
0	Net (Under)/Over spend	(0.183)	0	(0.183)

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 £m	2005/06 £m		2004/05 £m	2005/06 £m
(13.736)	(16.799)	Net cost of services		
(0.684)	8.538	Current service costs	0	0
0	0	Past service costs	0	0
0	0	Curtailment costs	0	0
		Settlement gain	0	0
(28.177)	(30.249)	Net operating expenditure		
		Interest cost	(0.784)	(0.741)
21.584	22.927	Expected return on assets in the scheme	0	0
		Amounts to be met from government grants and local taxation		
8.681	0.133	Appropriations to/from pensions reserve	(0.295)	(0.365)
		Actual amount charged against council tax for pensions in the year		
(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 £m	2005/06 £m	2004/05 £m	2005/06 £m	2004/05 £m	2005/06 £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
Net asset/(liability)	(222.402)	(221.962)	(14.274)	(14.589)	(236.676)	(236.551)

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:

	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

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.

2004/05 £m	Intangible Fixed Assets	2005/06 £m
0	Balance brought forward	0.082
0.091	Addition of intangible assets	0.108
(0.009)	Amortisation of intangible assets	(0.029)
4.899	Deferred Charges	8.154
(4.899)	Deferred Charges - write-off	(8.154)
0.082	Total	0.161

21. Tangible fixed assets

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

Tangible fixed assets	Infra-structure £m	Other land and buildings £m	Vehicles plant and eqpt £m	Community assets £m	Non operational assets £m	Other capital outlay £m	Total £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)
Net book value as at 31 March 2005	76.728	749.535	2.105	0	30.684	0	859.052
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	0.401	0	7.112	0	7.513
Disposals	0	(0.335)	0	0	(0.121)	0	(0.456)
Deferred charges & other adjustments	0	(2.200)	0	0	2.200	(8.154)	(8.154)
Gross Book value as at 31 March 2006	76.728	748.885	2.506	13.758	43.173	0	885.050
Depreciation for year	(3.995)	(15.980)	(0.688)	0	(0.159)	0	(20.822)
Net book value as at 31 March 2006	72.733	732.905	1.818	13.758	43.014	0	864.228

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 44.

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 £m	Long term investments	2005/06 £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	
17.546	Total	20.546

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 £m	Long term debtors	2005/06 £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
12.845	Total	11.725

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 £m	Stocks and work in progress	2005/06 £m
	Stocks:	
0.010	Disinfestation Stores	0.010
0.133	Reprographics	0.034
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
1.011	Total	0.757

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.

2004/05 £m	Debtors	2005/06 £m
23.961	Government departments	20.027
1.592	Other local authorities	0.632
6.035	Council tax	7.856
2.477	National non-domestic rates	6.642
0.005	Community charge/poll tax	0.005
0.538	Housing rents	0.538
25.704	Other	24.505
60.312	Total	60.205
(6.897)	Provision for bad debts	(9.482)
53.415	Total	50.723

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 £9.482 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 £3.611 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.

2004/05 £m	Short Term Investments	2005/06 £m
46.587	Other financial institutions and public bodies	36.156
46.587	Total	36.156

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 £m	Cash in hand and Overdrawn	2005/06 £m
2.814	Cash In hand	2.578
(9.874)	Cash Overdrawn	(3.139)
(7.060)	Total	(0.561)

See cash flow statement and note 54 on page 49 for further details.

29. Borrowing repayable within 12 months

2004/05 £m	Borrowing within 12 Months	2005/06 £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)
2.986	Total	0.365

30. Creditors

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

2004/05 £m	Creditors	2005/06 £m
0	Capital Creditors	1.609
16.316	Government departments	10.312
0.160	Other local authorities	1.764
1.334	Council tax	1.740
0.524	National non-domestic rates	3.974
0.003	Community charge/poll tax	0.003
31.775	Other	24.512
50.112	Total	43.914

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 £m	Long term borrowing	Average interest rate payable (%)	2005/06 £m
69.282	PWLB: Fixed interest	4.89	89.282
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
199.498	Total		225.345
	Analysis of loans by maturity:		
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		118.208
199.498	Total		225.345

32. Provisions

2004/05 £m	Provisions	2005/06 £m
2.023	Government grant	3.389
2.459	Insurance fund	2.647
4.012	Other	4.592
8.494	Total	10.628

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 £4.592 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 £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)	(0.975)
4.501		5.653
0	Other transfers – earmarked reserves	(0.393)
2.126	Other transfers – former HRA reserves	0
6.628	Total	5.260

34. Collection fund reserve

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

35. 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.

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 £m	2005/06 £m		2004/05 £m	2005/06 £m
16.727	17.268	Balance brought forward	6.375	10.723
0	0	Other external funding	0.813	1.316
3.424	5.372	Capital receipts received during the year	17.053	30.200
(2.607)	(6.427)	Applied against schemes	(13.518)	(31.275)
0	(0.680)	Used to finance debt	0	0
0	(0.128)	Defrayed on sold properties	0	0
(0.276)	(0.158)	Set Aside: capital receipts used	0	0
17.268	15.247	Total	10.723	10.964

37. Reserves: deferred credits

Deferred income represent monies received in advance for known future events. Deferred credits for LOBO interest is for offsetting future interest costs due to stepped interest charges. Deferred credits for capital receipts are amounts derived from sales of assets which will be received in instalments over an agreed period of time.

2004/05 £m	Deferred credits	2005/06 £m
0	Deferred income	0.177
0.357	Deferred LOBO interest	0.708
3.642	Deferred capital receipts	2.752
3.999	Total	3.637

38. Reserves: deferred premiums on repurchase of debt

2004/05 £m	Deferred premiums on repurchase of debt	2005/06 £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	0.069
0	Financed by capital receipts – premiums	0.680
(1.387)	Discharged to revenue – discounts	(1.263)
0	Discharged to revenue - brokerage	0
2.070	Total	1.556

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.

2004/05		Capital financing account & deferred government grants and contributions	2005/06	
Capital financing account £m	Deferred government grants and contributions £m		Capital financing account £m	Grants and deferred government contributions £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	(0.274)	0
		Revenue resources set aside in 2005/06		
2.607	0	Capital receipts financing capital expenditure	6.428	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	2.352	0
(4.899)	0	Write off of deferred charges	(8.154)	0
2.510	0		2.656	0
		Movement on Government Grants Deferred		
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
2.787	1.530	Total Movement on Reserve 2005/06	2.382	9.567
317.647	22.064	Balance carried forward 31st March 2006	320.029	31.631

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 £m	Fixed Asset Restatement Account	2005/06 £m
353.046	Balance b/fwd	320.594
0.991	Revaluation & restatement of fixed assets	13.804
(0.992)	Disposal of fixed assets	(0.456)
4.899	Adjustment for non-owned assets	8.154
(37.350)	Non-added value	(47.324)
(32.452)	Total movement in year	(25.822)
320.594	Total	294.772

41. Pension reserve

2004/05 £m	Pension Reserve Movements	2005/06 £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
236.676	Balance c/f	236.550

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
Net Actuarial Gain/(Loss)	0.573	0.1% of liabilities	(0.679)	4.7% of liabilities
Comparative Totals for 2004/05	(73.038)	13% of liabilities	(1.322)	9.3% of liabilities

An analysis of the overall movements of the net actuarial gains and losses over the last four years is shown below.

Net Actuarial Gain/(Loss)	2002/03		2003/04		2004/05		2005/06	
	£m	%	£m	%	£m	%	£m	%
Difference between actual and expected return on assets	(124.504)	41.6% of assets	36.202	11.7% of assets	13.688	4.1% of assets	62.364	14.8% of assets
Effect of difference between actuarial assumptions on liabilities and actual experience	0	0	0	0	6.953	1.2% of liabilities	(12.091)	1.9% of liabilities
Effect of changes in actuarial assumptions	0	0	0	0	(95.001)	16.7% of liabilities	(50.649)	7.8% of liabilities
Net Actuarial Gain/(Loss)	(124.504)	26.7% of liabilities	36.202	8% of assets	(74.360)	13% of liabilities	(0.106)	0.1% of liabilities

42. Statement of net assets employed

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

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
Infrastructure		Other Land And Buildings: Continued	
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	857.30	Other administrative buildings	22
Off-street car parks	49	Depots	8
Parking spaces	3,661	Training centres	1
Allotments	35	Cemetery lodges	6
		Social services offices	8
		Elderly day care centres	3
Other Land and Buildings:		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	Vehicles Plant and Equipment:	
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	Community Assets	
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 £m	Classification by Service	2005/06 £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
45.835	Total	60.082
	Classification by Type	
0.091	Intangible fixed assets	0.108
	Tangible fixed assets	
0	- Infrastructure	0
0.437	- Other land and buildings	5.089
1.809	- Vehicles, plant and equipment	0.401
0	- Community assets (cemeteries only)	0
2.337	Operational assets	5.598
4.897	Assets under construction	7.160
33.460	Capital Outlay Expenditure on enhancing the life or functional value without affecting their market value	39.170
2.374	Improvement grants	4.710
0.340	Education	0.573
2.544	Corporate	2.143
0	Regeneration	0.728
5.258	Deferred charges	8.154
0.242	Magistrates	0
46.194	Total	60.082
	How Capital Expenditure is Financed	
	Borrowing	
19.016	Supported borrowing under prudential code	13.562
3.626	Unsupported borrowing under prudential code	12.270
22.642		25.832
	Grants	
0.225	European grants	2.157
12.624	Government grants	27.729
0.669	Contractual bonds and other private sector contributions	1.389
13.518		31.275
0.032	Direct revenue funding	1.557
2.607	Usable capital receipts	6.427
(1.501)	Capital expenditure awaiting reimbursement b/fwd:	(9.691)
9.691	Capital expenditure awaiting reimbursement c/fwd	4.682
46.989		60.082

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.

Capital Commitments	2004/05 £m	2005/06 £m
Children & Young People	1.110	6.349
Corporate	2.092	0.310
Neighbourhood	4.000	2.400
Regeneration	3.113	2.172
Social Care and Inclusion	0.676	0.457
Total capital commitments	10.991	11.688

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 £m	Open Hire Scheme £m	Total £m		Operating £m	Open Hire Scheme £m	Total £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 overleaf 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 £m	Birmingham Airport	2005/06 £m
110.195	Turnover	111.109
200.666	Net assets	268.946
29.457	Profit before taxation	29.188
19.027	Profit after taxation	19.458

51. Movement in revenue and pension reserves

	General Fund Reserve £m	Housing Revenue Account Reserve £m	Collection Fund Reserve £m	Foundation Schools Reserve £m	Other Earmarked Reserves £m	Pensions Reserve £m	Total Revenue/Pensions Reserve £m
Balance 31/03/06	5.260	0	(0.846)	1.036	20.405	(236.550)	(210.695)
Balance 31/03/05	6.628	0	(0.789)	1.095	21.088	(236.676)	(208.654)
Movement in Year	(1.368)	0	(0.057)	(0.059)	(0.683)	0.126	(2.041)
General Fund surplus/ (deficit)	(0.975)	0	0	0	0	0	(0.975)
HRA surplus/(deficit)	0	0	0	0	0	0	0
Movements on earmarked reserves	(0.393)	0	(0.057)	(0.059)	(0.683)	0	(1.192)
Appropriation from pensions reserves	0	0	0	0	0	(16.324)	(16.324)
Actuarial gains and losses relating to pensions	0	0	0	0	0	(0.106)	(0.106)
Total increase/ (decrease) in revenue resources	(1.368)	0	(0.057)	(0.059)	(0.683)	(16.430)	(18.597)
Increase/ (decrease) on the pensions reserve	0	0	0	0	0	16.556	16.556
Total recognised gains / (losses) for revenue/pensions reserves	(1.368)	0	(0.057)	(0.059)	(0.683)	0.126	(2.041)

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	320.029	294.772	31.631	677.836
Balance 31/03/05	27.991	3.999	2.070	317.647	320.594	22.064	694.365
Movement in Year	(1.780)	(0.362)	(0.514)	2.382	(25.822)	9.567	(16.529)
Increase/(decrease) in useable capital receipts	(2.021)	0	0	0	0	0	(2.021)
Increase/(decrease) in unapplied capital grants and contributions	0.241	0	0	0	0	0	0.241
Deferred credits	0	(0.362)	(0.514)	0	0	0	(0.876)
Total increase/ (decrease) in realised capital resources	(1.780)	(0.362)	(0.514)	0	0	0	(2.656)
Gains/(losses) on revaluation of fixed assets	0	0	0	0	(25.366)	0	(25.366)
Total unrealised increase/(decrease) in value of fixed assets	0	0	0	0	(25.366)	0	(25.366)
Value of assets sold, decommissioned or realised	0	0	0	0	(0.456)	0	(0.456)
Revenue resources set aside	0	0	0	2.382	0	0	2.382
Movement on Government grants deferred	0	0	0	0	0	9.567	9.567
Total increase/ (decrease) in amounts set aside to finance capital investment	0	0	0	2.382	0	9.567	11.949
Total recognised gains / (losses) for capital reserves	(1.780)	(0.362)	(0.514)	2.382	(25.822)	9.567	(16.529)

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 £m	Reconciliation of consolidated revenue accounts	2005/06 £m
2.237	Net deficit/(surplus)	0.975
	Add back:	
(6.098)	Servicing of finance	(4.902)
(9.711)	Revenue cash activities on balance sheet	(7.866)
	Non-cash transactions:	
(1.388)	contributions to/(from) provisions	(2.134)
0.216	contributions to/(from) reserves	0.799
(1.154)	contributions to/(from) capital	0
4.773	contributions to/(from) other accounts	6.394
	Items on an Accruals Basis	
0.078	Increase/(decrease) in stock and work in progress	(0.254)
7.602	Increase/(decrease) in revenue debtors	(2.692)
(10.280)	(Increase)/decrease in revenue creditors	6.198
(13.725)	Revenue activities net cash flow	(3.482)

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 equivalents	As at 31.03.05 £m	Movement £m	As at 31.03.06 £m
Cash overdrawn	(9.874)	6.735	(3.139)
Cash in hand	2.814	(0.236)	2.578
Short-term investments	46.587	(10.431)	36.156
Net cash outflow	39.527	(3.932)	35.595

55. Analysis of revenue – other government grants and reimbursements

2004/05 £m	Analysis of revenue – other government grants and reimbursements	2005/06 £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
103.858	Total	114.827

56. Analysis of capital grants

2004/05 £m	Analysis of capital grants	2005/06 £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
17.053	Total	31.516

57. Analysis of changes in net debt

Analysis of changes in net debt	As at 31.03.05 £m	Movement	As at 31.03.06 £m
Cash or Cash Equivalents	(39.527)	3.932	(35.595)
Long Term Investments	(17.546)	(3.000)	(20.546)
	(57.073)	0.932	(56.141)
new borrowing raised		29.596	
borrowing repaid		(6.370)	
Total Borrowing	202.484	23.226	225.710
Total	145.411	24.158	169.569

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	(77.125)
(20.260)	Benefits		(21.247)
(154.614)			(159.415)
	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	(0.846)
154.614			159.415

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

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 £m		2005/06 £m
94.088	Gross council tax due (Adjusted for changes in banding etc)	98.372
(20.260)	LESS: Benefit awarded	(21.247)
73.828	Total	77.125

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
		107,268	95,178	77,099

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

2004/05 £m		2005/06 £m
84.530	Walsall Metropolitan Borough Council	87.930
6.078	Police	6.359
2.984	Fire and Civil Defence	3.132
93.593	Total	97.421

6. Collection fund balance

2004/05 £m		2005/06 £m
	Community charge / poll tax	
0.002	Surplus/(deficit) brought forward 1 April	0.002
0	Surplus/(deficit) for year	0
0	Amount used to support council tax	0
0.002	Surplus/(deficit) carried forward 31 March	0.002
	Council tax	
(0.220)	Surplus/(deficit) brought forward 1 April	(0.791)
(0.571)	Surplus/(deficit) for year	(0.317)
(0.791)		(1.108)
0	Transfer to precepting authorities	0
0	Amount used to support council tax	0.260
(0.791)	Surplus/(deficit) carried forward 31 March	(0.848)
(0.789)	Total collection fund balance	(0.846)
	Appropriation of the Collection Fund balance	
(0.773)	Walsall Council	(0.799)
(0.012)	Police	(0.033)
(0.006)	Fire and Civil Defence	(0.016)
(0.791)	Total	(0.848)

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 £	2004/05 £
Education, Lifelong Learning & Community:				
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
Corporate Services:				
Walsall Agricultural	30	0	30	29
Total	15,366	0	15,366	14,392

Funds assets	Capital Portion	Revenue Accumulation	Total 2005/06	Total 2004/05	Market 2005/06	Value 2004/05
	£	£	£	£	£	£
Education, Lifelong Learning & Community						
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
Corporate Services						
Walsall Agricultural	330	271	601	571	601	571
Total	3,403	317,191	320,594	305,229	320,943	305,396

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.

2004/05 £	Social care residents' monies held	2005/06 £
442,302	Balance at 1 April	510,679
68,377	Net Deposits/(Withdrawals) in year	220,050
510,679	Total	730,729

2. Trusts consolidated balance sheet

2004/05 £	Consolidated Balance Sheet	2005/06 £
686,864	Investment trust fund	906,914
121	Debtors	145
128,922	Cash	144,265
815,907	Total	1,051,324
812,504	- Revenue fund balances	1,047,921
3,403	- Capital account	3,403
815,907	Total	1,051,324

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.

Works of art held in trust by the authority for the people of Walsall have now been included within tangible fixed assets as non operational. This is a change in accounting policy and brings the accounts in line with recommended practice. These assets are not being depreciated as they are held in trust and as such have no market value to the authority. These works of art are valued for the purpose of these accounts at their current insurable replacement cost.

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 as a separate item in local authorities balance sheets. 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. Social services residential places accruals are based on outstanding payments to providers and outstanding contributions to the council from clients. These figures are calculated by forecasting the expected costs and contributions per client up to the year end and deducting the amounts paid and received against these amounts.

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.

CENTRAL SUPPORT SERVICE CHARGES (CSS)	
CSS ELEMENT	METHOD OF CHARGING
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.