Agenda Item No .

Special Audit Committee – 18 September 2008

Statement of Accounts 2007/08: Post-Audit

Summary of report

This report presents Grant Thornton's annual governance report (**Appendix 1**) and the authority's audited statement of accounts (**Appendix 3**) for the financial year 2007/08 in accordance with the Accounts & Audit Regulations 2003, as amended 2006.

Recommendations

1. Receive the annual governance report from Grant Thornton on their audit of the 2007/08 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 (**Appendix 2**).
3. Consider and approve the letter of representation attached with (**Appendix 3)**.
4. Note and endorse the final post-audit statement of accounts for 2007/08 (**Appendix 4**).
5. Authorise the Chief Finance Officer (CFO) to distribute copies of the audited statement of accounts to all partners and stakeholders.

James T Walsh – Chief Finance Officer (CFO)

10 September 2008

Governance

Councils must produce annual accounts in line with the Accounts and Audit Regulations 2003, as amended 2006 and in a timely fashion on an annual basis.

As at 31.03.08 the draft statement of accounts shows aggregate general fund services, (including earmarked reserves) to have an overall surplus of £0.831m against a budget of £212.924m. This results in net general reserves of £7.776m as at 31.03.08, in line with the medium term financial strategy.

Within the statement of accounts there is one adjustment for historical depreciation on investment properties. This adjustment has no effect on general reserves. With the introduction of SORP 2007 came the requirement to analyse in greater detail the fixed assets which the council owns. By doing this it shows that investment properties such as shops have been depreciated historically. To remove this charge of £0.531m there have been a number of adjustments to the accounts. Firstly the depreciation is credited back to the income and expenditure account (I&E) and then removed for council tax purposes through the statement of movement on the general fund balance (SMGFB) therefore creating a net adjustment of nil against reserves. This does have an impact on the balance sheet and a number of other supplementary tables. Details of these adjustments can be found as **Appendix 2**.

The Accounts and Audit Regulations 2003, and Accounts and Audit (Amendment) (England) Regulation 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 with Grant Thornton and formally signed to confirm these representations are correct.

Resource and legal considerations

The preparation of annual accounts and allied audit issues comprises a major aspect of the finance service plan each year and is budgeted for, as is the respective external audit fee.

Performance management and risk management issues

The 2007/08 outturn provides a sound, stable financial foundation to effect service delivery and continue 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 overall in 2007/08, although some services did overspend.

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

It is anticipated that that Grant Thornton will address the committee on the key issues contained in their report.

Equality implications

Improving ease of understanding of the accounts is intended to make the annual statement of accounts more readily accessible to the general public. The accounts will be available, on request in different formats, for example, hard copy, soft copy via the web site, Braille, and in different languages.

Consultation

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

Background papers

Various financial working papers, statutory and other guidance.

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Walsall Metropolitan Borough Council

Annual report to those charged with governance 2007/08

September 2008

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1 Introduction

Background and purpose of the report

1.1 Walsall Metropolitan Borough Council ('the Council') is responsible for the preparation of accounts which record its financial position as at 31 March 2008 and its income and expenditure for the year then ended. We are responsible for undertaking an audit and reporting whether, in our opinion, the Council's accounts 'present fairly' the financial position of the Council. Our detailed findings are set out in section two.

1.2 Under the Audit Commission's Code of Audit Practice we are also required to reach a conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion'). The pieces of work that have informed our VFM conclusion, and our detailed findings, are set out in section three.

1.3 The Audit Commission's Statement of Responsibilities, which sets out the respective responsibilities of the Council and the auditor in relation to the accounts and arrangements for securing economy, efficiency and effectiveness in the use of resources, have been re-produced in full at Appendices A and B and reflects the scope of our audit.

1.4 This report summarises the principal matters arising from our audit. The issues raised have been discussed with the Assistant Director - Finance and his team and other officers as appropriate. Auditing standards require us, as the Council's external auditors, to report to those charged with governance certain matters before giving an opinion on the accounts and the Code of Audit Practice requires us to report key matters relating to our VFM conclusion. For the Council, this function will be carried out by the Audit Committee at its meeting on 18 September 2008.

The accounts opinion

1.5 We have performed our audit of the 2007/08 accounts in accordance with the Audit Commission's Code of Audit Practice and applicable auditing standards. Our approach follows that set out in the Audit and Inspection Plan 2007/08, agreed with the Council.

1.6 At the time of reporting to the Audit Committee, subject to the receipt of the letter of representation, we expect to issue an **unqualified opinion on the Council's accounts**.

1.7 We draw the following issues to your attention:

- the accounts were submitted for audit within the statutory deadline and working papers supplied for audit were of a generally good standard;
- we consider the Council's accounts workshop, which presented the arrangements for co-ordinating this year's accounts process to all central and departmental officers involved, to be an example of best practice;
- there has been a good level of member involvement, with detailed consideration given to the accounts at the June 2008 Audit Committee;
- amendments have been made to correct for a small number of issue identified by the audit, where the draft accounts were considered not to comply with CIPFA's Statement of Recommended Practice (SORP), one of which resulted in decreasing the deficit on the Income and Expenditure account by £0.531m;
- there are no unadjusted errors to be considered;
- the Council's potential liability from equal pay claims has been disclosed in the accounts as a contingent liability. Legal officers are currently reviewing these claims to assess whether the Council has an obligation;
- in line with other Council's in the region, shareholdings in Birmingham Airport have been valued at cost as the Council contends that a reliable fair value estimate cannot be made; and
- a Public Private Partnership contract signed in April 2008 for Extracare services, with a total financial commitment of £29.677m over 30 years, has been disclosed as a non-adjusting post balance sheet event.

1.8 Further details of our accounts audit are given in section two.

The VFM conclusion

1.9 We have completed our work on the Council’s arrangements for achieving economy, efficiency and effectiveness in its use of resources and we expect to issue an **unqualified VFM conclusion**.

1.10 The findings that have contributed to the VFM conclusion have been reported to the Council by the Audit Commission in its previous use of resources report of December 2007.

1.11 In giving our VFM conclusion, we have also considered emerging findings from our 2008 use of resources key lines of enquiry (KLoE) assessment and our current work regarding the Council's arrangements for securing data quality in its performance management information. Following national submission of our KLoE scores and Audit Commission quality assurance, we will write to the Council confirming 2008 KLoE scores, in December 2008.

1.12 Key messages from this year's use of resources work are summarised in section three.

Use of this report

1.13 This report has been prepared solely for use by the Council to discharge our responsibilities under the Audit Commission Code of Audit Practice and relevant auditing standards and should not be used for any other purpose. No responsibility is assumed by us to any other person. This report should be read in conjunction with the Council's draft letter of representation.

1.14 This report includes only those matters that have come to our attention as a result of performance of the audit. An audit of the accounts and use of resources is not designed to identify all matters that may be relevant to those charged with governance. Accordingly the audit does not ordinarily identify all such matters

1.15 We would like to take this opportunity to remind the Audit Committee of the need to monitor implementation of the recommendations arising out of this report (see Appendix C) and other reports issued during the year (see Appendix E).

Independence

1.16 We are able to confirm our independence and objectivity as auditors and note the following:

- we are independently appointed by the Audit Commission;
- the firm has been assessed by the Audit Commission as complying with its required quality standards;
- the engagement lead and client service manager are subject to rotation periodically; and
- we comply with the Auditing Practices Board's Ethical Standards. We have not undertaken any non-audit work for the Council (Appendix F).

Acknowledgements

1.17 We would like to record our appreciation for the co-operation and assistance provided to us by the Council's management, officers and members during the course of our audit.

Grant Thornton UK LLP
10 September 2008

2 The accounts opinion

Introduction

2.1 We summarise in this section matters arising from our audit of the Council's 2007/08 accounts which we are required, under auditing standards, to report to those charged with governance.

Approach to the audit

2.2 We carry out work to enable us to report to the Council our opinion as to whether the financial statements 'present fairly' the financial position of the Council in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 ('the SoRP').

2.3 Our approach to the audit was set out in our 2007/08 audit plan. We have planned our audit in accordance with auditing standards and the Audit Commission's Code of Audit Practice.

2.4 Other key factors to highlight include:

- we consider the materiality of items in the accounts both in determining the audit approach and in determining the impact of any errors;
- we have been able to place appropriate reliance on the key accounting systems operating at the Council for final accounts audit purposes; and
- we have been able to place reliance on the work of internal audit in respect of the key accounting systems.

Key audit findings

2.5 We summarise our key audit findings below:

Area	Key messages
Accounting policies and practices	The Council has adopted appropriate accounting policies, in accordance with the 2007 SoRP. There were three reportable areas in which disclosures in the notes to the draft accounts did not, in our view, fully comply with the 2007 SoRP, relating to provisions, operating leases and financial instruments. In a further area, fixed assets, historical non-compliance with the SoRP was identified with a financial impact on the Income and Expenditure account of £0.531m. This did not however have an impact on Council reserves. The Council has amended these areas in the revised accounts. Further consideration of this issue is shown at Appendix C. We are satisfied that the relevant financial information disclosed in the Explanatory Foreword is consistent with the accounts.
Material risks and exposures	During the preparation of the Statement of Accounts, Officers identified a potential exposure to the Council relating to equal pay claims. The number of claims has increased over the summer and the Council is in the process of assessing the claims to determine whether a liability exists. As it has yet to be confirmed whether the Council has an obligation as a result of these claims, a provision has not been made in the accounts. A contingent liability has however been disclosed. The Council has confirmed in its draft letter of representation that, other than the equal pay issue discussed above, it has no material risks and exposures, to date, which should be reflected in the accounts. This review will be updated on the date the Council signs the final letter of representation and we sign our audit opinion.

Area	Key messages
Audit adjustments	We recommended one significant adjustment to the accounts, in respect of depreciation incorrectly charged in previous years against investment property fixed assets (£0.531m). This adjustment affected the reported surplus, by £0.531m, due to the depreciation being written back to revenue. There is no impact on general fund reserves as depreciation is a statutory adjustment in the Statement of Movement in General Fund Balance. We also recommended a number of minor presentational adjustments to address non-compliance with the SORP, to correct misclassifications within balance sheet headings, and to correct figures wrongly stated in disclosure notes. We suggested these adjustments to improve the quality and clarity of disclosures in the accounts. Officers have accepted these adjustments and have reflected them in the accounts.
Unadjusted errors	Officers agreed to process all our proposed adjustments, detailed at Appendix D. There are therefore no unadjusted errors to report to the Audit Committee.

Area	Key messages
Other matters	The Council is disclosing its shares in Birmingham City Airport at cost, in Financial Instruments note 47 to the statement of accounts. This is in line with the treatment adopted by the lead authority for the airport, Birmingham City Council, who contend that a fair value can not be reliably measured. The City Council has supported this view with a report from its external advisors which sets out a range of indicative valuations calculated using different valuations and applying a range of assumptions based on information currently available. To ensure consistency, we have discussed this matter with other auditors across the West Midlands, in particularly the Appointed Auditor for the City Council, and, having reviewed the evidence provided, we have accepted this treatment in the 2007/08 accounts. We do however note that a more reliable estimate of the fair value may be possible next year as the Airport's business plan will have been approved and a firmer view on some of the key assumptions should be available, such as the runway extension and terminal growth. The treatment will therefore need to be revisited for the 2008/09 accounts. The Council signed a Public Private Partnership contract with Housing 21 for Housing Extracare services in April 2008. Given the significant level of the ongoing financial commitment under the contract, totalling £29.677m over 30 years, we identified that a non-adjusting post balance sheet event disclosure should be added to the statement of accounts. The Council has made this amendment. Further consideration of this issue is shown at Appendix C. The overall quality of the Council's working papers to support the 2007/08 accounts was good. We will discuss with the finance team any areas where we feel further improvements can be made. We were presented with draft accounts on 26 June 2008. The Audit Committee approved the draft accounts on 26 June 2008. The appointed day for electors to ask the auditor questions on the accounts this year was 21 August 2008. We received no questions or objections from the public in relation to the accounts. Having considered the Council's medium term financial strategy and 2008/09 budgets we have concluded that it is appropriate for the Council to account on a going concern basis. We have not identified any matters, that we have not already reported, that require the attention of the Audit Committee. We have discussed these and other matters arising with the Assistant Director - Finance and his team and have reflected their responses to the matters raised in the Action Plan attached at Appendix C.

Next steps

2.6 We are required to provide an audit opinion on the consolidation pack that is to be completed as part of Whole of Government Accounts. This work is not covered by our opinion on the Council's accounts. We will complete this work once the accounts audit has been finalised and in time for the 3 October deadline.

2.7 The Audit Committee should monitor implementation of the recommendations arising from this report.

3 The VFM conclusion

Introduction

3.1 Under the Audit Commission's Code of Audit Practice we are required to reach a conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion'). In meeting this responsibility we review evidence that is relevant to the Council's corporate performance management and financial management arrangements, which are assessed against twelve criteria specified in the Code of Audit Practice.

Approach to the audit

3.2 The following pieces of work have informed our assessment against the Code criteria:

- review of relevant findings from the Council's Comprehensive Performance Assessment (CPA) corporate assessment
- assessment of the Council's data quality management arrangements, using criteria prescribed by the Audit Commission
- assessment of the Council's arrangements for financial reporting, financial management, financial standing, internal control and value for money, using the Commission's key lines of enquiry (KLoE)
- other local risk based use of resources work set out in our 2007/08 plan.

3.3 The key findings from each of these pieces of work are summarised in this section of the report.

VFM conclusion

3.4 We have completed our work on the Council's arrangements for achieving economy, efficiency and effectiveness in its use of resources and we expect to issue an **unqualified VFM conclusion**.

3.5 Our conclusions for each of the 12 Code criteria are set out in the table below:

Code area	Source of evidence	Arrangements adequate?
Setting, reviewing and implementing strategic and operational objectives	Corporate assessment / Direction of travel statement	Yes
Communication with service users and other stakeholders and partners	Corporate assessment / Direction of travel statement	Yes
Management of performance against strategic objectives	Corporate assessment / Direction of travel statement	Yes
Monitoring the quality of published performance information	Data quality audit 2007	Yes
Maintaining a sound system of internal control	KLoE 2007	Yes
Managing significant business risks objectives	KLoE 2007	Yes
Managing and improving value for money	KLoE 2007	Yes
Maintaining a medium-term financial strategy	KLoE 2007	Yes
Ensuring that spending matches available resources	KLoE 2007	Yes
Managing performance against budgets	KLoE 2007	Yes
Managing the asset base	KLoE 2007	Yes
Promoting and ensuring probity and propriety in the conduct of business	KLoE 2007	Yes

Corporate assessment

3.6 We are required to review the Council's latest corporate assessment or direction of travel statement in order to satisfactorily conclude on three of the Code criteria (see table above). In completing this work we are not required to re-perform the work of the corporate assessment team and the comprehensive area assessment lead, rather we are looking to place reliance on this work.

3.7 Our assessment is based on the latest corporate assessment completed in 2008. Based on this work, we assess the Council as having adequate arrangements for objective setting, consultation and performance management.

Data quality audit 2007

3.8 The audit work that we have used to reach our conclusion in respect of Code criterion on published performance information is the Audit Commission's most recent audit of the Council's corporate management arrangements for data quality, completed in the autumn of 2007 and updated for the situation at March 2008.

3.9 The audit concluded that the Council's management arrangements for data quality are adequate.

3.10 We have recently commenced our 2008 review of data quality management arrangements, which the Council's arrangements has already indicated that there are no matters impacting on our 2007-08 VFM opinion, regarding for monitoring the quality of published performance information.

Use of resources KLoE 2007 and local risk based work

3.12 We draw upon and update the findings from the Audit Commission's final key lines of enquiry (KLoE) audit work in order to satisfactorily conclude on a number of the VFM Code criteria. The results of this work, and associated recommendations, were included in the Commission's report of June 2008. The Council's arrangements were assessed as at least adequate in all areas. The 2007 KLoE scores are included at Appendix H.

3.13 We included in our 2007/08 audit plan, a number of pieces of local risk based use of resources work, which have been used to update and supplement the results of the 2007 KLoE assessment in key areas. We have reported the results of this work to the Council during the year. The key messages from the 2007 KLoE work and local risk based work are set out in the table below.

KLoE / Local risk based work	Key messages
Health Inequalities	Health Inequalities (HI) was identified as a key priority for audit attention for the Council, PCT and acute trust. Our work examined the effectiveness of the partnership working and concluded that there were many useful initiatives running in the Borough. Key improvement areas included: ▪ whilst most of the anticipated elements of a HI strategy were in place there was a need to more effectively bring them together in a cohesive strategic approach; ▪ the scope of partnership working could be better defined, so that all areas of need could be targeted; and ▪ the reliability and use of data could be improved.
Education	Due to the importance of the tendering exercise for the Council's Education Support services, we prioritised a staged review of the arrangements in place. The review was undertaken and reported during the procurement period, so as to ensure any observations and recommendations we made were capable of being implemented prior to the contract being signed. We found that the Council was approaching this major procurement in a professional and well-organised manner and was receptive to improvement advice from its internal advisors, as well as external sources. It was continuing to work hard to ensure the Council obtained an effective contractual deal, even though only one realistic tender had been received. Our final feedback stressed the importance of members being fully informed and comfortable with any additional contract scope that had developed over the course of contract negotiations and that this should be a key feature of the Council's arrangements for managing the contract. We also concluded that there was a need to ensure a meaningful and robust performance management framework was put in place to support the resulting service level agreements and continuous improvement expectations for the contractor.

3.14 The results of this work confirm that that, for 2007/08, the Council had at least adequate arrangements in place in the areas covered by the KLoE 2007 assessment.

KLoE 2008

3.15 Our 2008 KLoE assessment has recently commenced. We are not able to formally report scores to the Council until after the Audit Commission's national quality assurance processes are complete. We can, however, confirm that no issues have arisen to date that impact on the VFM conclusion for 2007-08. We will report the results of our work and confirm scores with the Council in December 2008.

KLoE 2009

3.16 There have been significant changes to the use of resources assessment criteria for 2009, as part of the new Comprehensive Area Assessment. The Council's management arrangements for the 2008/09 financial year will be assessed against the new criteria that represent a 'harder test.'

3.17 Whilst we will not formally assess the Council against the new criteria until summer 2009, as part of next year's plan, we will continue to carry out our use of resources work with reference to revised requirements to help the Council prepare for future assessments.

Next steps

3.18 We will carry out our final review against any emerging findings and intend to issue our VFM conclusion by on the 18 September.

3.19 The Audit Committee should monitor implementation of the recommendations referred to in this report.

Appendix A Statement of responsibilities - accounts

The accounts, which comprise the published accounts of the audited body, are an essential means by which it accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources.

It is the responsibility of the audited body to:

- put in place systems of internal control to ensure the regularity and lawfulness of transactions
- maintain proper accounting records
- prepare accounts that present fairly the financial position of the body and its expenditure and income.

The audited body is also responsible for preparing and publishing with its accounts a statement on internal control.

Auditors audit the accounts and give their opinion, including:

- whether they present fairly the financial position of the audited body and its expenditure and income for the year in question
- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

Subject to the concept of materiality, auditors provide reasonable assurance that the accounts:

- are free from material misstatement, whether caused by fraud or other irregularity or error
- comply with statutory and other applicable requirements
- comply with all relevant requirements for accounting presentation and disclosure.

Auditors examine selected transactions and balances on a test basis and assess the significant estimates and judgements made by the audited body in preparing the statements.

Auditors evaluate significant financial systems, and the associated internal controls, for the purpose of giving their opinion on the accounts. Where auditors identify any weaknesses in such systems and controls, they will draw them to the attention of the audited body, but they cannot be expected to identify all weaknesses that may exist.

Auditors review whether the Annual Governance Statement has been presented in accordance with relevant requirements and report if it does not meet these requirements or if it is misleading or inconsistent with other information of which the auditor is aware. In doing so auditors take into account the knowledge of the audited body gained through their work in relation to the audit of the accounts and through their work in relation to the body's arrangements for securing economy, efficiency and effectiveness in the use of its resources. Auditors are not required to consider whether the statement on internal control covers all risks and controls, nor are auditors required to form an opinion on the effectiveness of the audited body's corporate governance procedures or risk and control procedures.

Appendix B Statement of responsibilities - VFM

It is the responsibility of the audited body to put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them. Such corporate performance management and financial management arrangements form a key part of the system of internal control and comprise the arrangements for:

- establishing strategic and operational objectives
- determining policy and making decisions
- ensuring that services meet the needs of users and taxpayers and for engaging with the wider community
- ensuring compliance with established policies, procedures, laws and regulations
- identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working
- ensuring compliance with the general duty of best value, where applicable
- managing its financial and other resources, including arrangements to safeguard the financial standing of the audited body
- monitoring and reviewing performance, including arrangements to ensure data quality
- ensuring that the audited body's affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption.

The audited body is responsible for reporting on these arrangements as part of its annual statement on internal control.

Auditors have a responsibility to satisfy themselves that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In meeting this responsibility auditors should review and, where appropriate, examine evidence that is relevant to the audited body's corporate performance management and financial management arrangements, as summarised above, and report on these arrangements.

Auditors are responsible for reporting annually their conclusion, having regard to relevant criteria specified by the Audit Commission, as to whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Auditors report if significant matters have come to their attention that prevent them from concluding that the audited body has put in place proper arrangements. However, auditors are not required to consider whether aspects of the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources are effective.

In planning their audit work in relation to the arrangements for securing economy, efficiency and effectiveness in the use of resources, auditors consider and assess the relevant significant business risks. These are the significant operational and financial risks to the achievement of the audited body's statutory functions and objectives, which apply to the audited body and are relevant to auditors' responsibilities under the Code, and the arrangements it has put in place to manage these risks. The auditor's assessment of what is significant is a matter of professional judgement and includes consideration of both the quantitative and qualitative aspects of the item or subject matter in question. Auditors discuss their assessment of risk with the audited body.

When assessing risk auditors consider:

- the relevance and significance of the potential business risks faced by all bodies of a particular type
- other risks that apply specifically to individual audited bodies
- the audited body's own assessment of the risks it faces
- the arrangements put in place by the body to manage and address its risks.

In assessing risks auditors have regard to:

- evidence gained from previous audit work, including the response of the audited body to previous audit work
- the results of assessments of performance carried out by the Commission
- the work of other statutory inspectorates
- relevant improvement needs, identified in discussion with the Commission or other statutory inspectorates.

Where auditors rely on the reports of statutory inspectorates as evidence relevant to the audited body's corporate performance management and financial management arrangements, the conclusions and judgements in such reports remain the responsibility of the relevant inspectorate or review agency.

In reviewing the audited body's arrangements for its use of resources, it is not part of auditors' functions to question the merits of the policies of the audited body, but auditors may examine the arrangements by which policy decisions are reached and consider the effects of the implementation of policy. It is the responsibility of the audited body to decide whether and how to implement any recommendations made by auditors and, in making any recommendations, auditors should avoid any perception that they have any role in the decision making arrangements of the audited body.

While auditors may review audited bodies' arrangements for securing economy, efficiency and effectiveness in the use of resources, they cannot be relied on to have identified every weakness or every opportunity for improvement. Audited bodies should consider auditors' conclusions and recommendations in their broader operational or other relevant context.

Auditors are not required to report to audited bodies on the accuracy of performance information that the audited bodies publish. Auditors' work is limited to a review of the systems put in place by the audited body to collect, record and publish the information, in accordance with guidance issued by the Commission.

Audit work in relation to the audited body's arrangements to ensure that its affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption, does not remove the possibility that breaches of proper standards of financial conduct, or fraud and corruption, have occurred and remained undetected. Nor is it auditors' responsibility to prevent or detect breaches of proper standards of financial conduct, or fraud and corruption, although they will be alert to the possibility and will act promptly if grounds for suspicion come to their notice

Appendix C Action plan

Finding	Actions required	Management response	Implementation details
SORP Compliance: Despite completing the SORP disclosure checklist, the Council did not fully comply with the SORP disclosure requirements for provisions, operating leases, financial instruments and fixed assets.	Appropriate amendments have been made to the 2007-08 statement of accounts. Officers should ensure these disclosure errors do not recur in future.	Minor amendments have been made to the statement of accounts. We believe we have a strong process in place, however we will to ensure this process remains and that we continue to target full compliance and eliminate minor errors.	A review of the 2007/8 accounts process is underway and will inform the timetable and guidance for 2008/9 accounts. Corporate Finance Manager : 2008/9 accounts
Liabilities and Post Balance Sheet Events: Despite circularising key senior officers and finance staff, the Council did not identify and assess for treatment in the statement of accounts the Housing 21 PPP contract as a non-adjusting post balance sheet event.	Appropriate amendments and evaluations have been made or are underway for the 2007-08 statement of accounts. Officers in service departments should be reminded of their responsibilities to properly identify these types of issues and bring them to the attention of the finance team.	A reminder will be sent out. In addition, processes will be strengthened in respect of follow up and sign off of these areas.	Corporate Finance Manager : Reminder to be sent by end September 2008. Improved process for 2008/9 accounts

Appendix D Accounts adjustments agreed

Accounting adjustments that affect the reported surplus / deficit on the I&E account	
Finding	**Impact £m**
Investment properties incorrectly depreciated in previous years. Depreciation to be written back to revenue.	0.531
Net impact of adjustments decreases the deficit on the I&E account by £0.531m	

Accounting adjustments that do not affect the reported surplus / deficit on the I&E account	
Finding	**Impact £m**
NONE	N/A

Disclosure adjustments

There were 3 reportable areas in which disclosures in the notes to the draft accounts did not, in our view, comply with the 2007 SoRP, relating to:

- provisions - a breakdown of the movement between the opening and closing balance had not been provided;
- operating leases - the requirement to analyse annual ongoing financial commitments by the year in which the lease expires had been misinterpreted and an analysis of committed future costs per annum disclosed instead;
- financial instruments - disclosures to meet the financial instrument accounting standards introduced by the 2007 SORP did not fully include all financial assets and liabilities, with current assets and current liabilities being excluded.

The Council has amended these disclosures in the revised accounts.

Appendix E Reports issued

External audit reports issued during the year are listed in the table below.

Report title	Date issued
Health Inequalities	February 2008
Education department contract re-tendering	November 2007 and April 2008
Housing 21 PPP accounting opinion	April 2008
Interim Audit	June 2008

Appendix F Audit fees update

Audit area	Planned fee 2007/08	Actual fee 2007/08
Accounts	168,505	176,005
Use of Resources	112,010	112,010

Code of Practice audit

As shown in the table above, the 2007/08 actual fee differed from the planned fee due to the inclusion of an additional audit opinion to support the Council's Housing 21 Public Private Partnership (PPP).

Grant claims audit

Grant claim certification work will be completed between August and December 2008.

Our work is charged to the Council based on the cost of auditing each claim and the overall fee normally varies from estimate, depending on the number and complexity of claims to be audited, as well as the quality of claim compilation and supporting documentation.

We will update the Council on the final fee charged for 2007/08, in the grant claims report that we will produce in December 2008.

Non Code work

We have not carried out audit work outside of the Code of Audit Practice audit.

Appendix G 2007 KLoE scores

Theme and KLoE	Score (out of 4)
Financial reporting • Annual accounts • External accountability	3
Financial management • Medium term financial planning and budget setting • Managing performance against budgets • Managing assets	3
Financial standing	4
Internal control • Managing significant business risks • Maintaining a sound system of internal control • Ensuring probity	3
VFM • Current achievement of VFM • Managing and improving VFM	3

Grant Thornton

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Appendix 2

Changes made to statement of accounts as a result of audit process

Income and Expenditure Account

Pre audit version

2006/07			2007/08		
Net Expenditure £m	Restated Net Expenditure* £m	Service	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
91.742	65.855	Adult social care	113.593	(48.355)	**65.238**
2.141	2.141	Central services to the public	6.429	(4.091)	**2.338**
22.195	60.329	Children & Education services	314.902	(253.666)	**61.236**
8.879	8.879	Corporate & democratic core	9.854	(1.674)	**8.180**
0.361	0.361	Court services	0.383	(0.043)	**0.340**
34.842	41.257	Cultural environmental & planning services	74.137	(29.258)	**44.879**
9.108	21.071	Highways, roads and transport services	40.320	(20.659)	**19.661**
6.874	7.530	Housing services	107.484	(104.073)	**3.411**
0.355	0.355	Non-distributed costs	5.763	0.000	**5.763**
176.497	**207.778**	**Net cost of services**	**672.865**	**(461.819)**	**211.046**
(0.220)	(0.220)	(Gain) or loss on disposal of fixed assets			**7.194**
0.081	0.081	Environment agency levy			**0.093**
12.557	12.557	West Midlands transport levy			**12.843**
3.716	4.869	(Surplus) or deficit on trading undertakings not included in net cost of services			**3.630**
10.234	9.920	Interest payable and similar charges			**11.801**
0.096	0.096	Amounts payable into the housing capital receipts pool			**0.067**
(5.332)	(5.332)	Interest and investment income			**(7.363)**
6.238	6.238	Pensions interest cost and expected return on pensions assets			**4.166**
203.867	**235.987**	**Net operating expenditure**			**243.477**
(90.827)	(90.827)	Income from the collection fund			**(95.915)**
(20.011)	(20.011)	General Government grants			**(17.896)**
(94.843)	(94.843)	Distribution from national non-domestic rate pool			**(100.195)**
(1.814)	**30.306**	**(Surplus) or deficit for the year**			**29.471**

Post audit version

2006/07 Net Expenditure £m	2006/07 Restated Net Expenditure* £m	Service	2007/08 Gross Expenditure £m	2007/08 Gross Income £m	2007/08 Net Expenditure £m
91.742	65.855	Adult social care	113.593	(48.355)	**65.238**
2.141	2.141	Central services to the public	6.429	(4.091)	**2.338**
22.195	60.329	Children & Education services	314.902	(253.666)	**61.236**
8.879	8.879	Corporate & democratic core	9.854	(1.674)	**8.180**
0.361	0.361	Court services	0.383	(0.043)	**0.340**
34.842	41.257	Cultural environmental & planning services	74.137	(29.258)	**44.879**
9.108	21.071	Highways, roads and transport services	40.320	(20.659)	**19.661**
6.874	7.530	Housing services	107.484	(104.073)	**3.411**
0.355	0.355	Non-distributed costs	5.230	0.000	**5.230**
176.497	**207.778**	**Net cost of services**	**672.332**	**(461.819)**	**210.513**
(0.220)	(0.220)	(Gain) or loss on disposal of fixed assets			**7.194**
0.081	0.081	Environment agency levy			**0.093**
12.557	12.557	West Midlands transport levy			**12.843**
3.716	4.869	(Surplus) or deficit on trading undertakings not included in net cost of services			**3.630**
10.234	9.920	Interest payable and similar charges			**11.801**
0.096	0.096	Amounts payable into the housing capital receipts pool			**0.067**
(5.332)	(5.332)	Interest and investment income			**(7.363)**
6.238	6.238	Pensions interest cost and expected return on pensions assets			**4.166**
203.867	**235.987**	**Net operating expenditure**			**242.944**
(90.827)	(90.827)	Income from the collection fund			**(95.915)**
(20.011)	(20.011)	General Government grants			**(17.896)**
(94.843)	(94.843)	Distribution from national non-domestic rate pool			**(100.195)**
(1.814)	**30.306**	**(Surplus) or deficit for the year**			**28.938**

Statement of movement on the general fund balance (SMGFB)

Pre audit version

2006/07			2007/08
Net Expenditure	**Restated Net Expenditure***		**Net Expenditure**
(1.814)	30.306	(Surplus) or deficit from income and expenditure account	29.471
(30.949)	(70.359)	Amounts included in the income and expenditure account but required by statute to be excluded when determining the movement on the general fund balance for the year	(69.147)
25.940	26.254	Amounts not included in the income and expenditure account but required to be included by statute when determining the movement in the general fund balance for the year	29.366
5.138	12.114	Transfers to or from the general fund balance that are required to be taken into account when determining the movement on the general fund balance for the year	9.479
(1.685)	**(1.685)**	**Net additional amount required by statute and non-statutory proper practices to be debited or credited to the general fund balance for the year**	**(0.831)**
(5.260)	(5.260)	General fund (surplus)/deficit brought forward	(6.945)
(6.945)	**(6.945)**	**General fund (surplus)/deficit carried forward**	**(7.776)**
0.000	0.000	Amount of general fund balance held by governors under scheme to finance schools	0.000
(6.945)	(6.945)	Amount of general fund balance available for new expenditure	(7.776)
(6.945)	**(6.945)**	**General fund balance carried forward**	**(7.776)**

Post audit version

2006/07			2007/08
Net Expenditure	**Restated Net Expenditure***		**Net Expenditure**
(1.814)	30.306	(Surplus) or deficit from income and expenditure account	28.938
(30.949)	(70.359)	Amounts included in the income and expenditure account but required by statute to be excluded when determining the movement on the general fund balance for the year	(68.614)
25.940	26.254	Amounts not included in the income and expenditure account but required to be included by statute when determining the movement in the general fund balance for the year	29.366
5.138	12.114	Transfers to or from the general fund balance that are required to be taken into account when determining the movement on the general fund balance for the year	9.479
(1.685)	**(1.685)**	**Net additional amount required by statute and non-statutory proper practices to be debited or credited to the general fund balance for the year**	**(0.831)**
(5.260)	(5.260)	General fund (surplus)/deficit brought forward	(6.945)
(6.945)	**(6.945)**	**General fund (surplus)/deficit carried forward**	**(7.776)**
0.000	0.000	Amount of general fund balance held by governors under scheme to finance schools	0.000
(6.945)	(6.945)	Amount of general fund balance available for new expenditure	(7.776)
(6.945)	**(6.945)**	**General fund balance carried forward**	**(7.776)**

Note of reconciling items for SMGFB

Pre audit version

2006/07 Net Expenditure	2006/07 Restated Net Expenditure*		2007/08 Net Expenditure	
£m	£m		£m	£m
		Amounts included in the income and expenditure account but required by statute to be excluded when determining the movement on the general fund balance for the year		
(0.046)	(0.046)	Amortisation of intangible fixed assets	(0.042)	
(21.078)	(60.488)	Depreciation and impairment of fixed assets	(49.836)	
31.197	31.197	Government grant deferred amortisation	23.501	
(14.238)	(14.238)	Amounts treated as revenue expenditure but which are classified as capital expenditure	(8.802)	
0.000	0.000	Differences between statutory debits/credits and amounts recognised as income and expenditure in relation to financial instruments	1.933	
0.220	0.220	Net gain or loss on sale of fixed assets	(7.194)	
(27.004)	(27.004)	Net charges made for retirement benefits in accordance with FRS17	(28.707)	
(30.949)	**(70.359)**			**(69.147)**
		Amounts not included in the income and expenditure account but required to be included by statute when determining the movement on the general fund balance for the year		
7.062	7.376	Statutory provision for repayment of debt	8.993	
0.241	0.241	Capital expenditure charged to the general fund balance	(0.207)	
(0.096)	(0.096)	Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	(0.067)	
18.733	18.733	Employers contributions payable to West Midlands Pension Fund and retirement benefits payable direct to pensioners	20.647	
25.940	**26.254**			**29.366**
		Transfers to or from the general fund balance that are required to be taken into account when determining the movement on the general fund balance for the year		
0.551	0.551	Voluntary provision for repayment of debt	0.288	
4.587	11.563	Net transfer to or from earmarked reserves	9.191	
5.138	**12.114**			**9.479**
0.129	**(31.991)**	**Net additional amount required to be credited to the general fund balance for the year**	**(30.302)**	**(30.302)**
(1.814)	30.306	(Surplus) or deficit from income and expenditure account		29.471
(5.260)	(5.260)	General fund balance (surplus)/deficit brought forward		(6.945)
(6.945)	**(6.945)**	**General fund balance (surplus)/deficit carried forward**		**(7.776)**

Post audit version

2006/07 Net Expenditure £m	2006/07 Restated Net Expenditure* £m		2007/08 Net Expenditure £m	2007/08 Net Expenditure £m
		Amounts included in the income and expenditure account but required by statute to be excluded when determining the movement on the general fund balance for the year		
(0.046)	(0.046)	Amortisation of intangible fixed assets	(0.042)	
(21.078)	(60.488)	Depreciation and impairment of fixed assets	(49.303)	
31.197	31.197	Government grant deferred amortisation	23.501	
(14.238)	(14.238)	Amounts treated as revenue expenditure but which are classified as capital expenditure	(8.802)	
0.000	0.000	Differences between statutory debits/credits and amounts recognised as income and expenditure in relation to financial instruments	1.933	
0.220	0.220	Net gain or loss on sale of fixed assets	(7.194)	
(27.004)	(27.004)	Net charges made for retirement benefits in accordance with FRS17	(28.707)	
(30.949)	**(70.359)**			**(68.614)**
		Amounts not included in the income and expenditure account but required to be included by statute when determining the movement on the general fund balance for the year		
7.062	7.376	Statutory provision for repayment of debt	8.993	
0.241	0.241	Capital expenditure charged to the general fund balance	(0.207)	
(0.096)	(0.096)	Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	(0.067)	
18.733	18.733	Employers contributions payable to West Midlands Pension Fund and retirement benefits payable direct to pensioners	20.647	
25.940	**26.254**			**29.366**
		Transfers to or from the general fund balance that are required to be taken into account when determining the movement on the general fund balance for the year		
0.551	0.551	Voluntary provision for repayment of debt	0.288	
4.587	11.563	Net transfer to or from earmarked reserves	9.191	
5.138	**12.114**			**9.479**
0.129	**(31.991)**	**Net additional amount required to be credited to the general fund balance for the year**	**(29.769)**	**(29.769)**
(1.814)	30.306	(Surplus) or deficit from income and expenditure account		28.938
(5.260)	(5.260)	General fund balance (surplus)/deficit brought forward		(6.945)
(6.945)	**(6.945)**	**General fund balance (surplus)/deficit carried forward**		**(7.776)**

Statement of total recognised gains and losses (STRGL)

Pre audit version

2006/07			2007/08
Published	Restated*		Published
£m	£m		£m
(1.814)	30.306	(Surplus) or deficit on the income and expenditure account	29.471
6.098	18.535	(Surplus) or deficit arising on revaluation of fixed assets	(5.731)
0.000	0.000	(Surplus) of deficit arising on revaluation of available-for-sale financial assets	0.000
(36.560)	(37.337)	Actuarial (gains) and losses on pension fund assets and liabilities	74.958
(0.374)	(0.374)	(Surplus) or deficit arising from collection fund	1.239
44.080	15.404	Any other (gains) and losses required to be included in the STRGL	0.017
11.430	**26.534**	**Total recognised (gains) and losses for the year**	**99.954**

Post audit version

2006/07			2007/08
Published	Restated*		
£m	£m		£m
(1.814)	30.306	(Surplus) or deficit on the income and expenditure account	28.938
6.098	18.535	(Surplus) or deficit arising on revaluation of fixed assets	(5.731)
0.000	0.000	(Surplus) of deficit arising on revaluation of available-for-sale financial assets	0.000
(36.560)	(37.337)	Actuarial (gains) and losses on pension fund assets and liabilities	74.958
(0.374)	(0.374)	(Surplus) or deficit arising from collection fund	1.239
44.080	15.404	Any other (gains) and losses required to be included in the STRGL	0.017
11.430	**26.534**	**Total recognised (gains) and losses for the year**	**99.421**

Balance sheet – Assets and current liabilities (1st page)

Pre audit version

31-Mar-07 Published £m	Restated* £m	Balance sheet	31-Mar-08 £m	£m	Notes
		Fixed assets			
0.132	0.132	Intangible assets	0.091		16
		Tangible assets			
		Operational assets			
716.134	716.134	*- Land and buildings*	703.384		16
3.591	3.591	*- Vehicles, plant, furniture and equipment*	4.048		16
68.739	68.739	*- Infrastructure assets*	65.156		16
13.758	13.758	*- Community assets*	13.950		16
		Non-operational assets			
6.712	6.712	*Investment properties*	9.866		16
16.006	16.006	*Assets under construction*	5.731		16
12.591	12.591	*- Surplus assets, held for disposal*	22.652		16
837.663	**837.663**	**Total fixed assets**		**824.878**	
21.705	21.705	Long term investments	26.705		47
11.309	11.309	Long term debtors	10.951		22
2.708	2.708	Deferred premiums on the early redemption of debt	0.000		47
35.722	**35.722**	**Total long term assets**		**37.656**	
		Current assets			
0.736	0.736	Stock and work in progress	0.671		23
58.916	58.916	Debtors	48.296		24
44.074	44.074	Investments	71.180		47
2.951	2.951	Landfill allowance trading scheme	1.188		25
2.586	2.586	Cash and bank	3.180		26
109.263	**109.263**	**Total current assets**		**124.515**	
982.648	**982.648**	**Total assets**		**987.049**	
		Current liabilities			
(10.104)	(10.104)	Bank overdraft	(4.643)		26
(0.287)	(0.287)	Borrowing repayable on demand or within 12 months	(0.342)		47
(2.626)	(2.626)	Landfill allowance trading scheme	(0.900)		25
(50.604)	(50.604)	Creditors	(57.309)		27
(63.621)	**(63.621)**	**Total current liabilities**		**(63.194)**	
919.027	**919.027**	**Total assets less current liabilities**	**923.855**	**923.855**	

Post audit version

31-Mar-07 Published £m	Restated* £m	Balance sheet	31-Mar-08 £m	£m	Notes
		Fixed assets			
0.132	0.132	Intangible assets	0.091		16
		Tangible assets			
		Operational assets			
716.134	716.134	*- Land and buildings*	703.384		16
3.591	3.591	*- Vehicles, plant, furniture and equipment*	4.048		16
68.739	68.739	*- Infrastructure assets*	65.156		16
13.758	13.758	*- Community assets*	13.950		16
		Non-operational assets			
6.712	6.712	*Investment properties*	10.399		16
16.006	16.006	*Assets under construction*	5.731		16
12.591	12.591	*- Surplus assets, held for disposal*	22.652		16
837.663	**837.663**	**Total fixed assets**		**825.411**	
21.705	21.705	Long term investments	26.705		47
11.309	11.309	Long term debtors	10.951		22
2.708	2.708	Deferred premiums on the early redemption of debt	0.000		47
35.722	**35.722**	**Total long term assets**		**37.656**	
		Current assets			
0.736	0.736	Stock and work in progress	0.671		23
58.916	58.916	Debtors	48.296		24
44.074	44.074	Investments	71.180		47
2.951	2.951	Landfill allowance trading scheme	1.188		25
2.586	2.586	Cash and bank	3.180		26
109.263	**109.263**	**Total current assets**		**124.515**	
982.648	**982.648**	**Total assets**		**987.582**	
		Current liabilities			
(10.104)	(10.104)	Bank overdraft	(4.643)		26
(0.287)	(0.287)	Borrowing repayable on demand or within 12 months	(0.342)		47
(2.626)	(2.626)	Landfill allowance trading scheme	(0.900)		25
(50.604)	(50.604)	Creditors	(57.309)		27
(63.621)	**(63.621)**	**Total current liabilities**		**(63.194)**	
919.027	**919.027**	**Total assets less current liabilities**	**924.388**	**924.388**	

Balance Sheet – Long Term liabilities and reserves

Pre audit version

31-Mar-07 Published £m	Restated* £m	Balance sheet	31-Mar-08 £m	£m	Notes
		Long term liabilities			
(247.869)	(247.869)	Long term borrowing	(263.409)		47
(5.493)	(5.493)	Provisions	(3.386)		28
(31.862)	(31.862)	Government grants deferred and contributions	(37.120)		30
0.000	(15.105)	Capital grants unapplied	(22.080)		31
(0.906)	(0.906)	Deferred liabilities	(0.628)		29
(3.640)	(3.640)	Deferred discounts on early redemption of debt	0.000		47
(207.485)	(207.485)	Liability related to defined pension scheme	(290.519)		32
(497.255)	**(512.360)**	**Total long term liabilities**		**(617.142)**	
421.772	**406.667**	**Total assets less liabilities**	**306.713**	**306.713**	
		Financed by:			
		Revenue reserves			
(6.945)	(6.945)	General fund reserve	(7.776)		40
(0.914)	(0.914)	Collection fund reserve	0.325		41
(25.168)	(32.144)	Earmarked reserves	(41.335)		42
(33.027)	**(40.003)**	**Total revenue reserves**		**(48.786)**	
		Capital reserves			
0.000	0.000	Capital adjustment account	(529.705)		44
0.000	0.000	Revaluation reserve	(1.480)		43
0.000	0.000	Financial instruments adjustment account	(1.932)		47
0.000	0.000	Available-for-sale financial instrument reserve	0.000		
(2.623)	(2.623)	Deferred capital receipts	(2.090)		46
(24.422)	(9.583)	Useable capital receipts reserve	(13.239)		45
(335.077)	(288.425)	Capital financing account	0.000		44
(234.108)	(273.518)	Fixed asset restatement account	0.000		44
(596.230)	**(574.149)**	**Total capital reserves**		**(548.446)**	
207.485	207.485	Pensions reserve	290.519	290.519	32
(421.772)	**(406.667)**	**Total net worth**	**(306.713)**	**(306.713)**	

Post audit version

31-Mar-07 Published £m	Restated* £m	Balance sheet	31-Mar-08 £m	£m	Notes
		Long term liabilities			
(247.869)	(247.869)	Long term borrowing	(263.409)		47
(5.493)	(5.493)	Provisions	(3.386)		28
(31.862)	(31.862)	Government grants deferred and contributions	(37.120)		30
0.000	(15.105)	Capital grants unapplied	(22.080)		31
(0.906)	(0.906)	Deferred liabilities	(0.628)		29
(3.640)	(3.640)	Deferred discounts on early redemption of debt	0.000		47
(207.485)	(207.485)	Liability related to defined pension scheme	(290.519)		32
(497.255)	**(512.360)**	**Total long term liabilities**		**(617.142)**	
421.772	**406.667**	**Total assets less liabilities**	**307.246**	**307.246**	
		Financed by:			
		Revenue reserves			
(6.945)	(6.945)	General fund reserve	(7.776)		40
(0.914)	(0.914)	Collection fund reserve	0.325		41
(25.168)	(32.144)	Earmarked reserves	(41.335)		42
(33.027)	**(40.003)**	**Total revenue reserves**		**(48.786)**	
		Capital reserves			
0.000	0.000	Capital adjustment account	(530.238)		44
0.000	0.000	Revaluation reserve	(1.480)		43
0.000	0.000	Financial instruments adjustment account	(1.932)		47
0.000	0.000	Available-for-sale financial instrument reserve	0.000		
(2.623)	(2.623)	Deferred capital receipts	(2.090)		46
(24.422)	(9.583)	Useable capital receipts reserve	(13.239)		45
(335.077)	(288.425)	Capital financing account	0.000		44
(234.108)	(273.518)	Fixed asset restatement account	0.000		44
(596.230)	**(574.149)**	**Total capital reserves**		**(548.979)**	
207.485	207.485	Pensions reserve	290.519	290.519	32
(421.772)	**(406.667)**	**Total net worth**	**(307.246)**	**(307.246)**	

Note 16 – Movement in fixed assets: Non operational assets

Pre audit version

	Non-operational fixed assets			
	Investment Properties	Assets under construction	Surplus assets held for disposal	Total
	£m	£m	£m	£m
Gross Book Value	7.243	16.006	13.544	36.793
Accumulated depreciation as at 31 March 2007	(0.531)	0.000	(0.953)	(1.484)
Net Book Value as at 31 March 2007	**6.712**	**16.006**	**12.591**	**35.309**
Movements in 2007/08				
Additions	1.844	5.383	2.767	9.994
Disposals	(0.031)	0.000	(0.488)	(0.519)
Restatements	0.096	(15.637)	11.127	(4.414)
Revaluations	1.284	0.000	0.000	1.284
Expenditure for capital purposes	0.000	0.000	0.000	0.000
Total Movements	**3.193**	**(10.254)**	**13.406**	**6.345**
Depreciation in year	(0.002)	0.000	(0.321)	(0.323)
Impairment due to economic consumption	(0.037)	(0.021)	(3.024)	(3.082)
Impairment not due to economic consumption	0.000	0.000	0.000	0.000
Net Book Value as at 31 March 2008	**9.866**	**5.731**	**22.652**	**38.249**
Accumulated depreciation as at 31 March 2008	**(0.533)**	**0.000**	**(1.274)**	**(1.807)**

Post audit version

	Non-operational fixed assets			
	Investment Properties	Assets under construction	Surplus assets held for disposal	Total
	£m	£m	£m	£m
Gross Book Value	7.243	16.006	13.544	36.793
Accumulated depreciation as at 31 March 2007	(0.531)	0.000	(0.953)	(1.484)
Net Book Value as at 31 March 2007	**6.712**	**16.006**	**12.591**	**35.309**
Movements in 2007/08				
Additions	1.844	5.383	2.767	9.994
Disposals	(0.031)	0.000	(0.488)	(0.519)
Restatements	0.096	(15.637)	11.127	(4.414)
Revaluations	1.284	0.000	0.000	1.284
Expenditure for capital purposes	0.000	0.000	0.000	0.000
Total Movements	**3.193**	**(10.254)**	**13.406**	**6.345**
Depreciation in year	0.531	0.000	(0.321)	0.210
Impairment due to economic consumption	(0.037)	(0.021)	(3.024)	(3.082)
Impairment not due to economic consumption	0.000	0.000	0.000	0.000
Net Book Value as at 31 March 2008	**10.399**	**5.731**	**22.652**	**38.782**
Accumulated depreciation as at 31 March 2008	**0.000**	**0.000**	**(1.274)**	**(1.274)**

19. Capital Contracts

Pre audit version

2006/07 £m	Services	2007/08 £m
3.709	Children and young people	4.392
12.624	Regeneration and neighbourhood services	5.488
0.577	Social care and supported housing	3.685
0.024	Corporate services	0.224
16.934	**Total**	**13.789**

Post audit version

2006/07 £m	Services	2007/08 £m
3.709	Children and young people	4.530
12.624	Regeneration and neighbourhood services	5.488
0.577	Social care and supported housing	3.685
0.024	Corporate services	0.224
16.934	**Total**	**13.927**

20. Operating and Finance Leases

Pre audit version

2006/07 Committed payments £m	Year commitment ends	2007/08 Committed payments £m
1.075	2008/09	1.075
0.768	2009/10	1.031
0.378	2010/11	0.378
0.000	2011/12	0.038
0.000	2012/13	0.000
0.000	2013/14 or later	0.000
2.221		2.522

Post audit version

2006/07 Committed payments £m	Year commitment ends	2007/08 Committed payments £m
1.075	2008/09	1.239
0.768	2009/10	1.196
0.378	2010/11	0.542
0.000	2011/12	0.202
0.000	2012/13	0.000
0.000	2013/14 or later	0.000
2.221		3.179

Note 28 - Provisions

Pre audit version

2006/07 £m		2007/08 £m
(1.219)	Government grant	(0.507)
(2.677)	Insurance fund	(2.071)
(0.639)	Section 117	(0.404)
(0.958)	Other	(0.404)
(5.493)	**Total**	**(3.386)**

Insurance provision

The council has an established insurance fund to cover excesses on claims. Outstanding claims amount to £4.073m. However, based on claims settlement profiles, projected settlements are estimated at £2.071m for which a provision is held to cover this.

Section 117

The Local Government Ombudsman, in a Special report in 2003, advised that people who have paid for Section 117 aftercare are entitled to restitution with interest. In addition it advised Local Authorities to put mechanisms in place to identify those persons improperly charged, or improperly deprived of financial assistance, and to establish arrangements for reimbursing them or their estates.

Post audit version

	Balance as at 31 March 2007 £m	Additional / increase in provisions £m	Amounts used £m	Reversal of unused amounts £m	Balance as at 31 March 2008 £m
Government grant	(1.219)	(0.502)	1.214	0.000	(0.507)
Insurance fund	(2.677)	(0.577)	1.183	0.000	(2.071)
Section 117	(0.639)	0.000	0.235	0.000	(0.404)
Other	(0.958)	(0.100)	0.515	0.139	(0.404)
Total	**(5.493)**	**(1.179)**	**3.147**	**0.139**	**(3.386)**

Insurance provision

The council has an established insurance fund to cover excesses on claims. These outstanding claims amount to £4.073m and are at various stages of being addressed and it is therefore unclear when settlement might be made. However, based on claims settlement profiles, projected settlements are estimated at £2.071m for which a provision is held to cover this.

Section 117

The Local Government Ombudsman, in a Special report in 2003, advised that people who have paid for Section 117 aftercare are entitled to restitution with interest. In addition it advised Local Authorities to put mechanisms in place to identify those persons improperly charged, or improperly deprived of financial assistance, and to establish arrangements for reimbursing them or their estates. The Council is experiencing difficulties in locating potential claimants, however is working towards identifying as many claimants as possible.

Note 33 – Reconciliation of income and expenditure accounts

Pre audit version

2006/07 £m	Restated £m		2007/08 £m
(1.814)	30.306	Net deficit/(surplus)	29.471
		Add back:	
(7.738)	(7.738)	Servicing of finance	(7.869)
(18.105)	0.000	Revenue cash activities	0.000
0.000	(68.510)	Non cash items on I&E	(69.023)
0.000	19.047	Cash items on SMGFB not in I&E	21.133
		Non cash transactions:	
5.135	5.135	Contributions to/(from) provisions	2.107
(5.261)	0.000	Contributions to/(from) reserves	0.000
7.686	0.000	Contributions to/(from) other accounts	0.000
		Items on an accrual basis:	
(0.021)	(0.021)	Increase/(decrease) in stock and work in progress	(0.065)
6.807	6.807	Increase/(decrease) in revenue debtors	(9.169)
(5.729)	(5.729)	(Increase)/decrease in revenue creditors	(5.858)
(19.040)	**(20.703)**	**Revenue activities net cashflow**	**(39.273)**

Post audit version

2006/07 £m	Restated £m		2007/08 £m
(1.814)	30.306	Net deficit/(surplus)	28.938
		Add back:	
(7.738)	(7.738)	Servicing of finance	(7.869)
(18.105)	0.000	Revenue cash activities	0.000
0.000	(68.510)	Non cash items on I&E	(68.490)
0.000	19.047	Cash items on SMGFB not in I&E	21.133
		Non cash transactions:	
5.135	5.135	Contributions to/(from) provisions	2.107
(5.261)	0.000	Contributions to/(from) reserves	0.000
7.686	0.000	Contributions to/(from) other accounts	0.000
		Items on an accrual basis:	
(0.021)	(0.021)	Increase/(decrease) in stock and work in progress	(0.065)
6.807	6.807	Increase/(decrease) in revenue debtors	(9.169)
(5.729)	(5.729)	(Increase)/decrease in revenue creditors	(5.858)
(19.040)	**(20.703)**	**Revenue activities net cashflow**	**(39.273)**

Note 39 – Contingent assets and liabilities

Removed

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.

Included

The council has received a number of equal pay claims. Under the Equal pay Act 1970, as amended by the Equal Pay Act (Amendment) Regulations 2003, employees are entitled to equal pay for work of equal value. The claims are currently being assessed by legal officers to identify any potential liability to the council. As it has yet to be confirmed whether the council has an obligation as a result of these claims, no provision has been made in the balance sheet for 2007/8. It is anticipated that the assessment will be available within a few months and any liability arising will be accounted for when this arises

Note 47 – Financial instruments

Categories of financial liabilities and assets

Pre audit version

2006/07 Long term £m	2006/07 Current £m		2007/08 Long term £m	2007/08 Current £m
15.000	44.074	Loans and receivables	20.000	71.180
6.705	0.000	Available for sale financial assets	6.705	0.000
0.000	0.000	Unquoted equity investment at cost	0.000	0.000
21.705	**44.074**	**Total investments**	**26.705**	**71.180**
(247.869)	(0.287)	Financial liabilities at amortised cost	(263.409)	(0.342)
0.000	0.000	Financial liabilities at fair value through profit and loss	0.000	0.000
(247.869)	**(0.287)**	**Total borrowing**	**(263.409)**	**(0.342)**
(226.164)	**43.787**	**Total net borrowing**	**(236.704)**	**70.838**

Post audit version

2006/07 Long term £m	2006/07 Current £m		2007/08 Long term £m	2007/08 Current £m
15.000	44.074	Loans and receivables	20.000	71.180
		Available for sale financial assets		
1.531	0.000	Birmingham Airport Preference Shares	1.531	0.000
5.174	0.000	Birmingham Airport Ordinary Shares	5.174	0.000
21.705	**44.074**	**Total investments**	**26.705**	**71.180**
(247.869)	(0.287)	Financial liabilities at amortised cost	(263.409)	(0.342)
(247.869)	**(0.287)**	**Total borrowing**	**(263.409)**	**(0.342)**
(226.164)	**43.787**	**Total net borrowing**	**(236.704)**	**70.838**

In deciding the categories of financial instruments consideration was made of debtors and creditors to other organisations. It was agreed that these did fall under the classification of financial instruments. However it was decided that these would be declared as individual notes within the statements as has been the practice in previous years (Note 24 for debtors and Note 27 for creditors). They will have no effect on fair values as they are measured at cost.

<u>Financial instruments – gains and losses</u>

Now included

During 2007/08 no financial assets or financial liabilities were derecognised, incurred impairment losses or were revalued.

Fair value of financial assets and liabilities

Pre audit version

2006/07 Carrying Amount £m	Fair Value £m		2007/08 Carrying Amount £m	Fair Value £m
(97.282)	(97.282)	PWLB loans	(113.283)	(122.959)
(28.421)	(28.421)	Other Local Authority Debt	(27.865)	(27.865)
(0.166)	(0.166)	Individuals	(0.155)	(0.155)
(122.287)	(122.287)	Private sector loans	(122.448)	(136.531)
(248.156)	**(248.156)**	**Financial liabilities**	**(263.751)**	**(287.510)**
15.000	15.000	Long term investments	20.000	20.689
44.074	44.074	Short term investments	71.180	72.349
59.074	**59.074**	**Financial assets**	**91.180**	**93.038**

For financial liabilities the fair value is higher than the carrying amount because the council's loan portfolio includes a number of loans where the interest rate is lower than the rates available for similar loans at the balance sheet date. This commitment to pay interest below current market rates increases the amount the authority would have to pay if the lender requested or agreed to early repayment of the loans.

Post audit version

2006/07 Carrying Amount £m	Fair Value £m		2007/08 Carrying Amount £m	Fair Value £m
(97.282)	(97.282)	PWLB loans	(113.283)	(122.959)
(28.421)	(28.421)	Other Local Authority Debt	(27.865)	(27.865)
(0.166)	(0.166)	Individuals	(0.155)	(0.155)
(122.287)	(122.287)	Private sector loans	(122.448)	(136.979)
(248.156)	**(248.156)**	**Financial liabilities**	**(263.751)**	**(287.958)**
15.000	15.000	Long term investments	20.000	20.689
1.531	1.531	Birmingham Airport Preference Shares	1.531	1.531
5.174	5.174	Birmingham Airport Ordinary Shares	5.174	5.174
44.074	44.074	Short term investments	71.180	72.349
65.779	**65.779**	**Financial assets**	**97.885**	**99.743**

For financial liabilities the fair value is higher than the carrying amount because the council's loan portfolio includes a number of loans where the interest rate is lower than the rates available for similar loans at the balance sheet date. This commitment to pay interest below current market rates increases the amount the authority would have to pay if the lender requested or agreed to early repayment of the loans.

The Authority's ordinary shareholding investment in Birmingham Airport is shown in the accounts at cost, since there is no quoted market price in an active market and the fair value cannot be measured reliably. The latest share transaction in relation to Birmingham Airport occurred in September 2007, when Airport Group Investments Ltd (AGIL) purchased a 48.25% shareholding in Birmingham Airport for £420 million. Pro-rata this equates to £20.16 million for Walsall Council's 4.8% ordinary shareholding in the Airport. However this was a transaction pertaining to market conditions in September 2007 and for a 48.25% shareholding

Note 48 – Post balance sheet events

Pre audit version

In accordance with FRS21 events after the balance sheet date there is nothing to report in respect of the 2007/08 accounts up to the date the accounts were authorised for issue XX September 2008 by the Section 151 Officer.

Post audit version

Following a robust procurement process the council has entered into a 12 year contract with Serco to provide education services within Walsall which commenced on 1 August 2008. Walsall Council has successfully partnered with Serco in respect of education services since 2001.

The Council has entered into a Public Private Partnership (PPP) with Housing 21. The contract covers 30 years with the land being provided to Housing 21 on a 125 year lease, at the end of the contract the land reverts back to the Council.

The scheme will provide 285 extra care units of which 70 are shared ownership and 10 are respite care. There will also be a 40 bed dementia care unit at Goscote and 26 intermediate care beds at Rushalll Mews. There is also an additional provision for increased day care to include weekend access to services.

The table below gives the expected charge to the council and assumes retail price index (RPI) at 2.5% per annum.

Year	Total £m
2008/09	6.115
2009/10	6.457
2010/11	8.616
2011/12 - 2037/08	8.489 per annum plus RPI

Grant Thornton UK LLP
Enterprise House
115 Edmund Street
Birmingham
B3 2HJ

18 September 2008

Dear Sirs

WALSALL METROPOLITAN BOROUGH COUNCIL (WALSALL MBC) FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

We confirm to the best of our knowledge and belief that the following representations are made on the basis of appropriate enquiries of other officers of Walsall MBC ('the Authority'), with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you in respect of your audit of the above financial statements.

i We acknowledge our responsibilities for ensuring that financial statements are prepared which present fairly the financial position of this Authority and for making accurate representations to you.

ii As far as we are aware:
  a there is no relevant audit information of which you are unaware; and
  b we have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that you are aware of that information.

iii All the accounting records of the Authority have been made available to you for the purpose of your audit and all the transactions undertaken by the authority have been properly recorded in the accounting records and reflected in the financial statements.

iv All other records and related information, including minutes of all Authority and Committee meetings, have been made available to you.

v The financial statements are free of material misstatements, including omissions.

vi We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud.

vii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

viii We have disclosed to you our knowledge of fraud or suspected fraud affecting the entity involving:

- a management;
- b employees who have significant roles in internal control; or
- c others where the fraud could have a material effect on the financial statements;

ix We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees or others.

x The Authority has no plans to terminate early any of it's Lender Option Borrower Option (LOBO) loans.

xi Except as stated in the accounts:

- a there are no unrecorded liabilities, actual or contingent
- b none of the assets of the authority has been assigned, pledged or mortgaged
- c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

xii All related parties have been identified to you and there were no transactions with related parties other than those disclosed in the financial statements.

xiii Except as stated in the accounts, there are no claims, legal proceedings or other matters which may lead to a loss falling on the authority or which could result in the creation of an unrecorded asset, that should be disclosed in the financial statements except as disclosed in the accounts.

xiv The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

xv We are not aware of any instances of actual or possible non-compliance with laws and regulations which might affect the view given by the financial statements.

xvi We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xvii We have no plans or intentions that will result in any obsolete tangible fixed assets or inventory other than as already recognised in the accounts.

xviii We confirm that income is accounted for by applying the accruals convention. Where income has been received for a specific activity to be delivered in the following financial year, that income is deferred.

xix Other than disclosed in the financial statements, no significant events having an effect on the financial position of the Authority have taken place since the balance sheet date, which necessitate revision of the figures included in the financial statements or inclusion of a note thereto.

xx We have adjusted the misstatements brought to our attention on the audit differences and adjustments summary and in the ISA260 report.

xxi No events have occurred since the balance sheet date that lead us to believe that any items previously recognised as income in the accounts are now repayable.

xxii We believe that the Authority's financial statements should be prepared on a going concern basis on the grounds that current and future sources of financing will be more than adequate for the Authority’s needs. We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Audit Committee at its meeting on 18 September 2008.

Signed on behalf of the Authority

Name	…………………………	Name	………………………………
Position	…………………………	Position	………………………………

(The Chief Executive and the Director of Finance should sign letter)

Statement of Accounts

2007/08

Subject to Audit

Walsall Council

Approval of the accounts

Section 10 of the Accounts and Audit Regulations 2003, amended 2006 requires that the Statement of Accounts be approved by a resolution of a committee of the council and signed by the chair of the said committee.

Section 3(12) of the council's constitution delegates this power to the Audit Committee. A special meeting of this committee was held 26 June 2008 and the pre-audit draft Statement of Accounts for 2007/08 were received and approved.

Signed:……………………………………..

Dated: 26 June 2008

Councillor D Turner
Chair, Audit Committee

Contents

Section 1
Explanatory Foreword

1. Introduction

These accounts set out the financial results of Walsall Council's activities for the year ended 31 March 2008. 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 corporate management team. The chief financial officer 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 have been made which comply 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. Reporting requirements for the 2007/08 accounts

The Statement of Recommended Practice (SORP 2007) is issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and is statute imposed. This year includes some major changes to local authority financial statements. These changes are intended to make the financial statements easier to read and bring them more in line with practices in the private sector, enabling taxpayers to gain a greater understanding of council finances. These changes include:

- The introduction of a revaluation reserve
- The loss of the capital financing account and fixed asset restatement account, being replaced by a capital adjustment account
- Introduction of the new financial reporting standards (FRS) for financial instruments, FRS25 –Financial Instruments: Presentation and Disclosures, FRS26 – Financial Instruments: Recognition and Measurements, FRS29 – Financial Instruments: Disclosures.

The above changes have no effect on the net budget requirement or council tax.

These changes are not required to be applied retrospectively. Therefore these changes have only been applied from 1 April 2007 onwards.

To ensure comparatives are meaningful as required under FRS 28 *Corresponding Amounts,* presentational changes have taken place within the 2007/08 accounts. These changes do not affect council tax or general fund balances. These changes are presentational within the main financial statements. They became necessary after analysis linked with SORP 2007. The principal amendments relate to earmarked reserves, Government grants unapplied and capital adjustment account (including capital financing account and fixed asset restatement account).

3. Explanation of the statements

This statement of accounts summarises the council's finances for the financial year 2007/08 (1 April 2007 to 31 March 2008). The statement includes the following information:

Income and expenditure account (page 29)

This statement reports the net cost for the year of all functions for which the council are responsible. It also details how this has been financed from council tax, national non-domestic rates and general Government grants. This statement is in line with accounting practices employed in the private sector. These practices are covered by UK Generally Accepted Accounting Practices (UK GAAP), the financial framework for accounting.

Statement of movement on the general fund balance (page 30)

This statement shows items of income and expenditure that are defined by legislation, as being required in calculating the council tax requirement, but cannot be included in the income and expenditure account if this is to remain UK GAAP compliant. It also shows the councils general fund balances at year end.

Statement of total recognised gains and losses (STRGL) (page 32)

This statement reports gains and losses that are not reflected in the income and expenditure account. It includes movements on revaluations of fixed assets and pension fund assets and liabilities.

Balance sheet (page 33)

This statement is a snapshot of the council's financial position as at 31 March 2008. 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.

Cashflow statement (page 35)

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

Notes to the core financial statements (page 36)

These notes provide additional information to assist in the understanding of the income and expenditure account, statement of movement on the general fund balance, balance sheet, statement of total recognised gains and losses and cashflow statement.

Collection fund and associated notes (page 75)

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 79)

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 81)

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.

4. An overview of the council's financial performance in 2007/08

During 2007/08 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, including a score of 4 for financial standing – a key element of the CPA. The council's performance improvement agenda is detailed in the sustainable community strategy and the council's corporate plan.

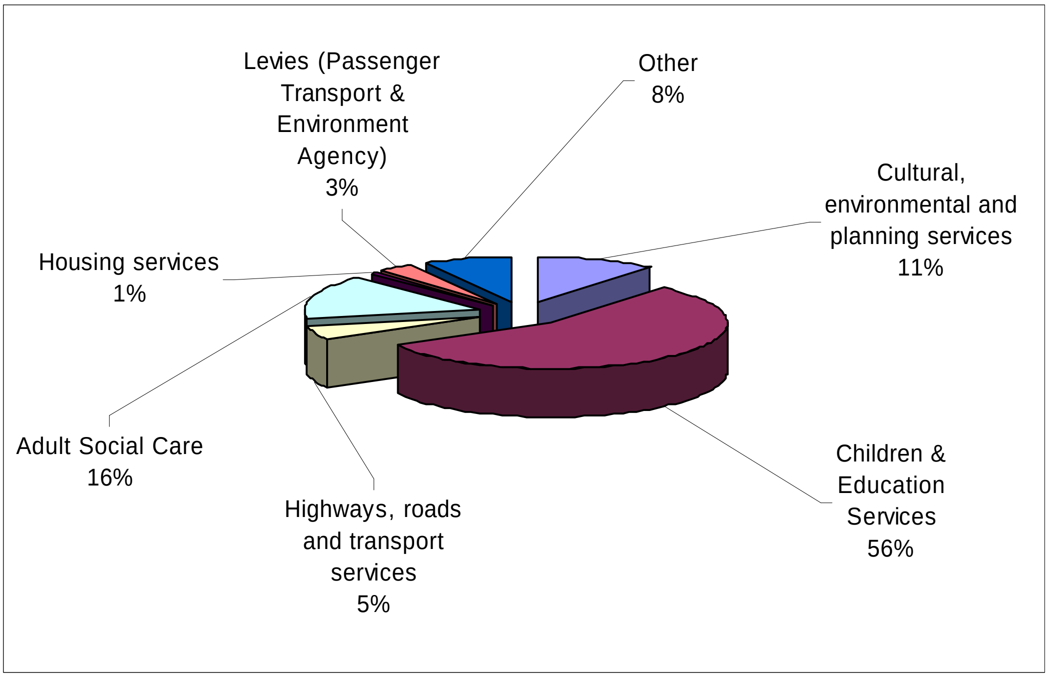
Council expenditure is divided into two broad categories: revenue and capital. Revenue is day to day spending on items such as salaries and wages, purchase of equipment, services and materials, and the heating and lighting of premises. Capital expenditure relates to the purchase of major items such as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

Revenue expenditure

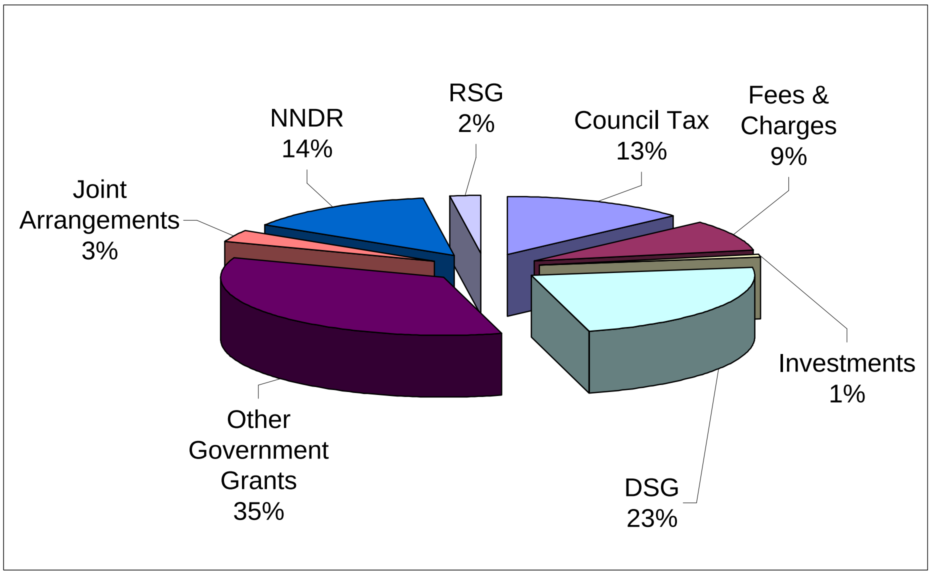
On 26 February 2007 council approved a net budget of £212.924 million (including levies) representing an increase of 4.4%, equivalent to £8.946 million of additional net expenditure over 2006/07 (£203.978 million).

The total net expenditure for services prior to statutory adjustments is shown on the income and expenditure accounts. This shows that there was a deficit of £28.938 million for 2007/08. After statutory adjustments, such as the removal of depreciation, impairments and FRS17 entries in relation to pensions costs are applied the council shows an overall surplus for the general fund of £0.831 million for the year, This comprises of a net service under spend of £0.756m, after the transfer of earmarked reserves, plus a movement of £0.075m for amounts held for specific purposes no longer required. This gives a general fund balance of £7.776 million.

This total net expenditure for the council can be split between different services as is displayed in the pie chart below. This shows that 56% of the council's expenditure is on education with a further 16% being spent on adult social care.



This expenditure is funded by Government grants (including dedicated schools grant), fees and charges, joint arrangements and council tax. The split of these sources of funding is displayed in the pie chart below.



Dedicated schools grant

The dedicated schools grant (DSG) is funding from the Department for Children, Schools and Families (DCSF) for the sole purpose of providing an education service. The total grant received by Walsall Council in 2007/08 was £166.212 million (£156.923 million in 2006/07).

Reserves and balances

Overall during 2007/08 there was a net contribution to general fund revenue reserves of £0.831 million against a planned deduction of £0.961 million. The balance on the general fund at the end of 2007/08 stands at £7.776 million (£6.945 million in 2006/07). The table below summarises the surplus or deficit in the year for the council's general fund and collection fund.

	2006/07 Deficit/(Surplus) £m	2007/08 Deficit/(Surplus) £m
General Fund (see page 30)	(1.685)	(0.831)
Collection Fund (see page 75)	(0.945)	0.361

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 £52.154 million on capital expenditure in 2007/08, compared with the budgeted spend of £66.820 million. The following table provides details of capital expenditure during 2007/08.

Capital	Budget £m	Actual £m	Variance £m
Mainstream projects funded by supported borrowing and capital receipts	24.478	21.439	3.039
Prudential projects	7.755	3.469	4.286
Non mainstream projects funded by grants	34.587	27.246	7.341
Total	**66.820**	**52.154**	**14.666**

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 note 18 page 49.

Capital expenditure Type of asset	2007/08 £m	Capital financing source	2007/08 £m
Other land and buildings	15.530	Borrowing	10.313
Vehicles and equipment	2.607	Prudential borrowing	12.844
Infrastructure	14.571	Capital receipts	1.605
Community assets	0.649	Capital grants and contributions	28.607
Non operational assets	9.994	Revenue	(0.207)
Other capital outlay	0.000	Capital expenditure awaiting reimbursement	(1.008)
Total capital expenditure re fixed assets	**43.351**	**Total capital financing**	**52.154**
Intangible assets	0.001		
Deferred charges	8.802		
Total capital expenditure	**52.154**	**Total capital financing**	**52.154**

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 adjustment 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 2008 the council's external long term borrowing was £263.409 million (£247.869 million on 31 March 2007). Of this, £27.865 million represents debt owed to Dudley MBC for the former West Midlands County Council debt. Walsall Council's consolidated rate of interest for 2007/08 was 4.62% (4.4% in 2006/07).

During 2007/08 the council received £6.066 million (£3.848 million in 2006/07) of investment income. This was at an average rate of 5.87% (4.91% in 2006/07). This is in addition to £1.297 million (£1.484 million in 2006/07) interest income from other sources.

The significant increase in the rate of return for investments is due to the council's sound treasury management during a period of volatility in the money markets. This followed the American sub-prime mortgage crisis in September, highlighted by the public problems of Northern Rock.

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 LEA. The original contract came up for renewal and following a tender exercise Education Walsall was awarded the contract to provide these services commencing on 1 August 2008. The length of this contract is for 12 years.

The council currently has two Private Finance Initiative schemes (PFIs) in operation. A public lighting PFI in partnership with Amey Highways has replaced most of the street lights in the borough. Amey are now in a 25 year period during which they will maintain the street lighting on the council's behalf ending 2028. This initiative is funded by 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" available on the Walsall Council website (www.walsall.gov.uk/lightingup_walsall.pdf).

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 ending 2029. This initiative is funded by a contribution from the school's governing body, Department for Children, Schools and Families (DCSF) grant, a contribution from the Diocese and a special grant from central Government.

Pensions accounting

Walsall Council participates in the West Midlands Metropolitan Authorities Pension Fund which is administered by Wolverhampton City Council. In 2003/04 the introduction of FRS17 – retirement benefits – changed the way local authorities account for pension costs. The result of this change is that there is a shortfall of £290.519 million as 31 March 2008 (£207.485 million at 31 March 2007) between the forecast cost of future pensions and the value of the assets currently within 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.

Section 2
Statement of Responsibilities

Walsall Council's responsibilities

Under the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) Regulations 2006, 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 James T Walsh. 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 2008.

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 2007) 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 by the chief financial officer

I certify that the statement of accounts presents fairly the position of Walsall Metropolitan Borough Council as at 31 March 2008, and its income and expenditure for the year ended 31 March 2008.

James T. Walsh ACMA
Chief Financial Officer
June 2008

Section 3
Annual Governance Statement 2007/08

1. Scope of responsibility

This statement is given in respect of the 2007/08 statement of accounts for Walsall Council. Walsall Council is responsible for ensuring that its business is conducted in accordance with the laws and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. Walsall Council also has a duty under the Local Government Act 1999 to make arrangements 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 responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and includes arrangements for the management of risk.

Walsall has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government.* A copy of the code is on our website or can be obtained from the Monitoring Officer or Chief Finance Officer. This statement explains how Walsall Council has complied with the code and also meets the requirement of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and 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 governance framework has been in place at Walsall Council for the year ended 31 March 2008 and up to the date of approval of the annual report and statement of accounts.

3. The Governance Framework

The Council acknowledges its responsibilities in ensuring the following key elements of the governance arrangements including the system of internal control are in place and this statement provides further information on how it achieves this, including:

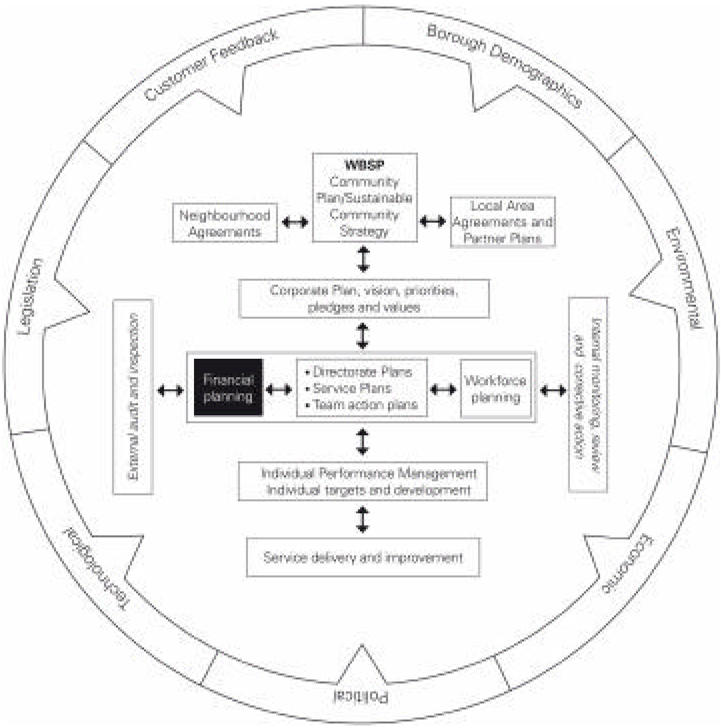
- Identifying and communicating the authority's vision and intended outcomes for citizens and service users, reviewing the vision and its implications for the authority's governance arrangements

- Establishing and monitoring the achievement of the Authority's objectives, including measuring the quality of services for users
- Establishing clear channels of communication with the community and stakeholders, ensuring accountability and open consultation
- 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;
- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions of the council;
- Developing, communicating and embedding codes of conduct and defining standards of behaviour
- Undertaking the core functions of an Audit Committee;
- Whistleblowing and receiving and investigating complaints from the public
- Identifying and supporting development needs of members and senior officers
- Financial management of the Authority and its reporting;
- 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;
- Performance management of the Authority and the reporting of performance management;
- Incorporating good governance arrangements in respect of partnerships and other group working.

The internal control environment and governance framework is an integral part of the Council's corporate integrated planning and performance framework (CIPPF).

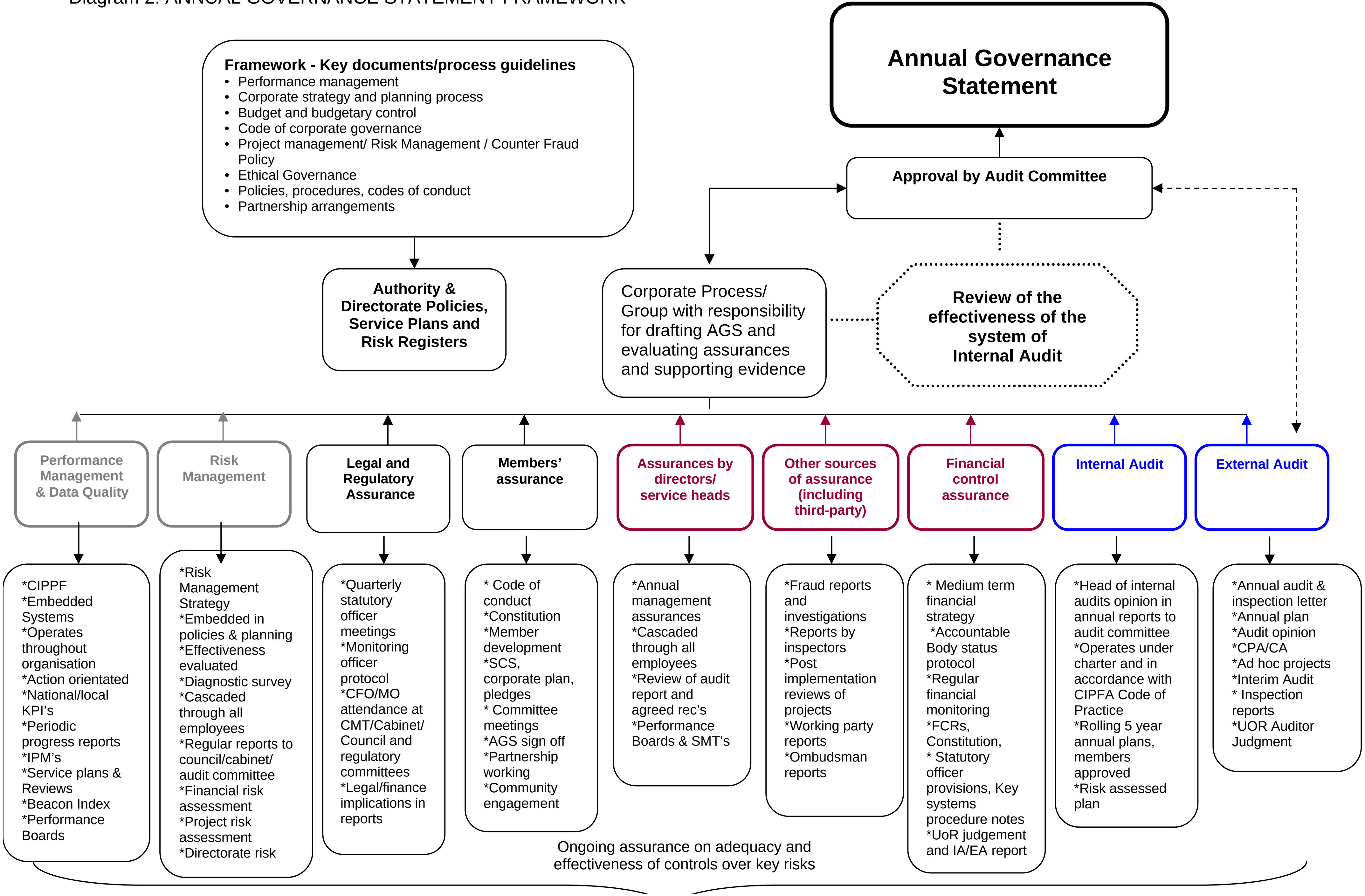
The CIPPF (diagram 1 overleaf) comprising financial, performance, risk, communication and political management processes shows how services are designed, delivered, measured and performance managed, and shows how services and activities are regularly measured and monitored to enable effective decision making, helping to ensure the Council delivers efficient, customer focussed services that provide value for money.

Diagram 1: The CIPPF



The governance framework consists of regular management information, financial and contract rules, established financial, budgetary, personnel and other procedures, a performance management framework, community and corporate planning, 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 officer and member delegation and accountability and codes of conduct. Diagram 2 shows the overall governance framework which is discussed in more detail in this section.

Diagram 2: ANNUAL GOVERNANCE STATEMENT FRAMEWORK



The council acknowledges its responsibility for ensuring that effective governance arrangements, including an effective system of internal control (including financial control), are maintained and operated in connection with the resources concerned. Any system of internal control, including 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 the following key elements:

- A sustainable community strategy, setting out ambition, objectives and priorities of the council and key partners, developed following extensive consultation with the community and stakeholders. – linked to corporate and service plans.
- 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 systems and controls;
- A comprehensive financial strategy, including budget management and control framework, supported by financial procedures and guidelines underpinning sound financial management, reporting and standing;
- An approved Constitution, including financial and contract rules and a scheme of delegations and decision making processes of the council;
- Clear targets to measure financial and other performance through a comprehensive performance management framework, linked to service plans and the corporate plan;
- The preparation of regular performance and financial reports to managers, executive directors, Corporate Management Team (CMT) 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 all projects, requiring all projects to be managed using the same underlying principles and regular reporting of progress to CMT and directorate performance boards;
- Continued use of an accountable body status protocol in relation to partnership working to ensure that activities are administered consistently and robustly across the Council;
- Regular performance boards which receive, consider and assess service plans, PIs, financial planning and project management processes to influence and drive continuous improvement;
- Clear HR and other policies and procedures, including Codes of Conduct (member and officer), whistle blowing policy and an anti-fraud and anti-corruption policy and strategy;
- Standards Committee, Audit Committee, scrutiny function and other regulatory committees;
- Member and officer development strategy and individual development planning processes;
- Statutory Monitoring and Chief Finance Officers ensuring the council operates within existing legislation and statutory guidance;
- Comprehensive communication and consultation arrangements both internally and externally;
- Lead member for risk management;

There are a number of key elements of the governance framework and internal control environment which ensures the Council is able to monitor and manage the achievement of its objectives. These are included in the Council's published overarching strategies and plans including; the sustainable community strategy; the corporate plan; the Beacon Index; medium term financial strategy, corporate budget plan, capital strategy, risk management strategy and directorate strategy documents.

These documents set out the Council priorities, vision and key pledges. They are supported by directorate, service and team plans, which contain detailed targets and performance indicators to support the achievement of Council objectives. A comprehensive performance management framework exists which operates throughout the Council, and performance is reported to senior management teams through the established performance boards model, CMT, Cabinet, and to relevant scrutiny and performance panels on a regular planned basis.

The Council's commitment to continuous improvement is evidenced in our latest Corporate Assessment outcome (CA). The Council recognises that it cannot achieve this without community and partner engagement. It is committed to working with partners through the Walsall Borough Strategic Partnership (our Local Strategic Partnership), and with the community and partners, through the established Local Neighbourhood Partnerships.

The Council's constitution was revised during 2006/07 and 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 rules, which set out the control environment in which the Council operates.

A key aspect of the system of internal control is the identification of key risks to the organisation and key controls needed to mitigate these risks. Comprehensive, embedded and effective performance and risk management arrangements are fundamental to demonstrating good governance.

The Council has an established comprehensive risk management framework, 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, financial planning and major projects and partnerships.

Strategic risks are identified, evaluated, incorporated into a corporate risk register and reported on a quarterly basis to senior management and CMT. This includes risk management action plans produced for each key strategic risk. Cabinet also receives reports on risk management. The risk management strategy is reviewed annually by Cabinet and is subject to examination by the Audit Committee as part of its established regulatory activities. Audit Committee have their own risk register and receive regular reviews on this.

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. An elected member has lead responsibility for risk management.

Arrangements for the provision of Internal Audit are contained within the Council's constitution. The Council, via its 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 elected 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 CMT and 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 annually on his opinion in respect of the overall adequacy and effectiveness of the Council's internal control environment.

A comprehensive system of performance monitoring and reporting is in place at service management, executive management and member level. This includes regular reports to scrutiny and performance panels and Cabinet. Regular reports are also presented to senior management and CMT 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 and Assistant Directors are required to provide an annual assurance statement that the governance framework and 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/actions, and on risk management and seeks to ensure agreed recommendations are actioned and managed within directorates. The Committee has a regulatory function 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 (via Audit Committee) has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is set out below.

Cabinet, CMT and senior officers monitor the effectiveness of the governance framework through receiving regular monitoring reports on performance management, financial management and risk 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, CMT, the Leader and elected members, via the Audit Committee formally consider and approve the AGS annually. Executive and assistant directors each provide an assurance statement that the governance framework and internal controls were operating effectively in 2007/08, were subject to review and where there were significant internal control issues, these were 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 report on the overall adequacies of the internal control environment. In respect of the 2007/08 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 2007/08, and the positive action taken and confirmed as having been taken, by managers to implement agreed actions, 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 2007/08 financial year and were reported as such to the relevant managers. The opinion as to the level of assurance that can be placed on the system of internal control is based on evidence provided by managers to auditors confirming that they had implemented or agreed to implement agreed report action plans in the areas for which they are responsible."

During 2007/08 audit reviews were undertaken of the key financial systems and also other financial and non financial systems and processes that contribute to the Council's overall corporate governance arrangements. In addition, fraud and irregularity work was undertaken by the Internal Audit service during the year. None of the cases were material in the context of the statement of internal control. Internal Audit have acknowledged that the Council's key financial systems are operating satisfactorily.

Further detail on control weaknesses are identified in section 5.

The Accounts and Audit (Amendment) Regulations 2006, introduced in 2006/07 a new requirement for the Council to conduct a review of the effectiveness of its system of Internal Audit.

A self-assessment document was produced by the Chief Internal Auditor in respect of the effectiveness of Internal Audit, assessed against the CIPFA Code of Internal Audit Practice and recent CIPFA guidance. The self-assessment and supporting evidence was reviewed independently by senior officers. The system of Internal Audit was assessed as satisfactory overall.

The effectiveness can further be evidenced by the:

- External auditors' annual review of Internal Audit work to ensure that work can be relied upon (which will be reported to Audit Committee on 23 June 2008);
- 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;
- The role of the Audit Committee in endorsing Internal Audit's work plan and in their regular review and scrutiny of audit performance and;
- The regular review of Internal Audit work by the CFO including 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 2007/08;
- High level of satisfaction received from auditees based on satisfaction surveys returned following completion of each audit assignment.

The Audit Commission undertook a comprehensive review of the Internal Audit service during 2006/07 and 2007/08. Their report concludes, amongst others, that the audit service is staffed with appropriately experienced and qualified officers and work is of a good standard. The Audit Commission is able to place reliance on Internal Audit work which is directly relevant to their Code of Audit Practice responsibilities. Some areas for improvement were noted and recommendations made. These issues had however, previously been identified by Internal Audit during their recent self assessment exercise undertaken as part of annual review of the effectiveness of the system of Internal Audit, a requirement under the Accounts and Audit (Amendment) Regulations 2006.

Audit Committee has a regulatory role in terms of receiving reports on the effectiveness of the system of internal control through receipt and consideration 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 CMT and Audit Committee.

The functions of the Standards Committee are determined by statute and the Constitution. Standards Committee have a role in ensuring and promoting good ethical conduct. A revised Member Code of Conduct was received and approved by Standards Committee in 2007/08 and a new process introduced in October 2007 reporting on complaints against members.

The Constitution clearly sets out the role of officers and members, including the three statutory posts of the chief finance officer (S151 officer), head of paid service and monitoring officer. In 2007/8, quarterly statutory officer's meetings were introduced to review and oversee and ensure statutory provisions are being adhered to.

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, tPCT, Walsall Town Centre Partnership and a WBSP Memorandum of Agreement. This ensures 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 Audit Commission in the Corporate Assessment (CA) 2008 highlighted key partnership working as a strength, with some areas for improvement in terms of working with the voluntary/community section. The Council has recognised and put in place arrangements, via a Partnership Governance Group to address the need to strengthen its governance arrangements in respect of partnerships. The group is due to present a partnership toolkit in 2008/09.

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.
- Corporate assessment 2008 - which praised the council for strong community engagement, priority setting, financial, risk and performance management arrangements.
    - *"Improvement trends in PIs compare well with others"*
    - The beacon index quarterly report *"provides a good overview of corporate performance"*
    - "*Good financial management and planning".*
    - *"There is a sustained focus on VFM".*
    - Further the GT interim audit highlighted "*financial reporting is an area of strength".*
    - *"Public satisfaction has increased"*

- In addition, CA 2008 reported that "*there is clarity among both officers and councillors about respective roles and responsibilities, enabling effective leadership"* and *"Investment in the capacity of councillors is effective."* In addition, take up of training is high.

- The overall use of resources (UoR) score of 3 out of 4 (based on a more challenging criteria than the previous year), which focuses on financial management but also links to the strategic management of the Authority.
- The council's arrangements in respect of performance and risk management have been identified as robust.
- A maximum score of 4 for the category of risk management within the overall UoR rating for both 2006 and 2007. The UoR auditors' judgement 2007/08 stated *"The council is particularly strong in managing its significant business risks".*
- A maximum score of 4 for the category of financial standing for both 2006 and 2007.
- The Council has continued to be assessed as "improving well" in the annual direction of travel assessment.
- The work of the Council's external auditors with the June 2008 Annual Audit and Inspection letter, including the provision of an unqualified opinion on both the 2006/7 accounts and the Council's use of resources (value for money).
- The Interim Audit June 2008 also states that *"High level controls operating at the council are adequate, with few deficiencies noted."*
- CSCI and Supporting People Inspections in 2007/08 which highlighted underperformance in adult social care and supporting people provision. *"Improvements in Adults SC have been identified but implementation of plans to address these is recent although some PIs are now showing improvement." "Council has identified under performance prior to the (supporting people) inspection and has responded to outcomes with a robust improvement plan".* Robust action plans are in place which are being managed and reported.
- Data quality arrangements were scored as 3 (good).

Some governance and control weaknesses were identified by external audit/inspections, including the need for further improvements in the management of payroll processes, grant claims, the need to prioritise a disaster recovery/business continuity plan in ICT, improving voluntary sector infrastructure and relationships to improve capacity to contribute to delivery, improved and more consistent scrutiny, more effective management of sickness absence and concerns about the capacity for the council to deliver its objectives because ICT Legal and HR support is underdeveloped..

In addition the district auditor's report on the employment tribunal found that some of the council's arrangements for managing its staff and complying with legislation did not operate effectively. There were some weaknesses in the procedures and some procedures were not applied. However he also indicated that there was no evidence of widespread failures in the council's governance arrangements (see below).

A review of managers assurance statements identified an unplanned late overspend position was reported which has led to a review of use of codes and I-proc in that area and action being taken to ensure full compliance in the future.

The Council has introduced a Local Code of Governance which was approved by Audit Committee on 3 April 2008 and Standards Committee on 16 June 2008. Work is in hand to embed this over the next financial year. Review of the Code against the CIPFA/SOLACE framework (Appendix 4) highlighted some areas of omission (partnership protocol and need for awareness training).

The review of effectiveness also covered the work undertaken in 2007/08 to address the significant control weaknesses identified in the 2006/07 SIC including:

1) Payroll and personnel system – significant progress has been made on implementing internal audit recommendations, and significant assurance has now been obtained, although there remain some areas of weakness to be addressed.

2) Sure Start grant schemes - further work followed by a follow up audit report submitted to Audit Committee in April 2008. Problems with sure start claims were reported, but "these were significantly fewer than issues raised in previous years and officers have clearly taken action to address many of the problems previously identified" and are no longer classed as significant.

3) The District Auditor was concluding the investigation into the Peter Francis employment tribunal case at the point of writing the 2006/07 statement. The report was considered by Council on 27 September 2007 and an action plan agreed which has been substantially implemented. The action plan covered improvements in procedures, guidance and training on employment law, DDA, HR procedures, a member protocol, further publication of the whistle blowing policy, introduction of statutory officers meetings quarterly, a review of the grievance policy, etc. The action plan was led by an ED.

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

5. Significant Governance 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.

The officers who drafted this AGS, evaluated assurances and supporting evidence, concluded the effectiveness of the governance framework, including the system of internal control is satisfactory overall.

The work above identified that although in most audit assignments the processes examined were generally working satisfactorily, system weaknesses were identified in some services including local area agreements, coroner service, mental health and learning disability teams, primary schools, contractors final accounts/system work and computer reviews. A number of high priority suggested improvements were made during the year to address control weaknesses and all were agreed for implementation by managers.

An area of weakness specifically mentioned in the AGS relates to final contractor accounts. 12 accounts were reviewed and 6 were given a limited or no assurance rating opinion and considered to have been poorly managed. Suggestions for improvement were agreed by managers.

Five contract systems were also reviewed, including a single review of payments to 30 major creditors, and of these reviews three were given an overall limited rating opinion. Many of the problems encountered are historical and relevant managers are actively addressing system improvements with the assistance of procurement, ICT, legal and internal audit officers.

Whilst internal and external audit has indicated that there are adequate IT controls in place overall, limited assurance opinions were reported for ICT change management, acquisition and disposal of information assets, IT governance and Oracle CRM. Managers have agreed report actions, and indicated that actions have been or will be implemented by agreed deadlines.

The Interim Audit report (June 2008) highlights that the target for implementation of Internal Audit's recommendations is set at 90%. Performance against this target has been below 80% during the year. Internal Audit has identified instances where recommendations claimed, by service management, to be implemented are, in fact, outstanding. This limits the effectiveness of the Audit Committee's monitoring of the internal control environment. Further detailed reporting and assurance requirements from senior managers will be presented to Audit Committee during 2008/09 to assist them in fulfilling their governance responsibilities.

Scrutiny was highlighted as making a good contribution in some areas, but further development is needed. Its overall impact is variable and not consistently effective in focusing on underperformance or actively challenging the executive.

Action plans are in place for each of the above control weakness and follow up management and audit action is taken on each. Consultation is progressing with the Scrutiny Working Group on how scrutiny can be more consistently effective.

Executive and assistant directors have further provided assurance that all internal control weaknesses identified have action plans in place, which are being robustly managed and implemented. Assurance follow up will be sought from managers in 2008/09 that these have been addressed and progress will be reported to Audit Committee. Specific areas for improvement are highlighted in the Chief Internal Auditors Annual Report, which have been taken into account as part of this review and will be considered by Audit Committee on 23 June 2008 prior to consideration, review and approval of the Annual Governance Statement.

We propose over the coming year to address the above matters to further enhance our governance arrangement. We are satisfied that these steps will address the needs for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

……………………….
COUNCILLOR JOHN G. O'HARE
Leader of the Council
8 September 2008

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.

……………………….
PAUL SHEEHAN
Chief Executive
8 September 2008

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.

……………………….
JAMES T. WALSH, ACMA
Chief Financial Officer
8 September 2008

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.

Section 4
Core financial statements

Income and expenditure account

2006/07 Net Expenditure £m	2006/07 Restated Net Expenditure* £m	Service	2007/08 Gross Expenditure £m	2007/08 Gross Income £m	2007/08 Net Expenditure £m
91.742	65.855	Adult social care	113.593	(48.355)	**65.238**
2.141	2.141	Central services to the public	6.429	(4.091)	**2.338**
22.195	60.329	Children & Education services	314.902	(253.666)	**61.236**
8.879	8.879	Corporate & democratic core	9.854	(1.674)	**8.180**
0.361	0.361	Court services	0.383	(0.043)	**0.340**
34.842	41.257	Cultural environmental & planning services	74.137	(29.258)	**44.879**
9.108	21.071	Highways, roads and transport services	40.320	(20.659)	**19.661**
6.874	7.530	Housing services	107.484	(104.073)	**3.411**
0.355	0.355	Non-distributed costs	5.230	0.000	**5.230**
176.497	**207.778**	**Net cost of services**	**672.332**	**(461.819)**	**210.513**
(0.220)	(0.220)	(Gain) or loss on disposal of fixed assets			**7.194**
0.081	0.081	Environment agency levy			**0.093**
12.557	12.557	West Midlands transport levy			**12.843**
3.716	4.869	(Surplus) or deficit on trading undertakings not included in net cost of services			**3.630**
10.234	9.920	Interest payable and similar charges			**11.801**
0.096	0.096	Amounts payable into the housing capital receipts pool			**0.067**
(5.332)	(5.332)	Interest and investment income			**(7.363)**
6.238	6.238	Pensions interest cost and expected return on pensions assets			**4.166**
203.867	**235.987**	**Net operating expenditure**			**242.944**
(90.827)	(90.827)	Income from the collection fund			**(95.915)**
(20.011)	(20.011)	General Government grants			**(17.896)**
(94.843)	(94.843)	Distribution from national non-domestic rate pool			**(100.195)**
(1.814)	**30.306**	**(Surplus) or deficit for the year**			**28.938**

* Within 2006/07 comparatives there have been adjustments. Walsall Council have re-classified interest payments within the I&E for comparative purposes as covered within FRS 28.

Statement of movement on the general fund balance (SMGFB)

The income and expenditure account shows the council's actual financial performance over the year, measured in terms of resources consumed and generated over the last twelve months. However the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investments are accounted for as they are financed rather than when the fixed assets are consumed
- The payment of a share of housing capital receipts to the Government scores a loss in the income and expenditure account but is met from the usable capital receipts balance rather than council tax
- Retirement benefits are charged as amounts become payable to the pension fund and pensioners, rather than as future benefits are earned.

The movement in general fund balance shows whether the council has over or under spent against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the income and expenditure account and the general fund balance. Further details are provided overleaf.

2006/07			2007/08
Net Expenditure	**Restated Net Expenditure***		**Net Expenditure**
(1.814)	30.306	(Surplus) or deficit from income and expenditure account	28.938
(30.949)	(70.359)	Amounts included in the income and expenditure account but required by statute to be excluded when determining the movement on the general fund balance for the year	(68.614)
25.940	26.254	Amounts not included in the income and expenditure account but required to be included by statute when determining the movement in the general fund balance for the year	29.366
5.138	12.114	Transfers to or from the general fund balance that are required to be taken into account when determining the movement on the general fund balance for the year	9.479
(1.685)	**(1.685)**	**Net additional amount required by statute and non-statutory proper practices to be debited or credited to the general fund balance for the year**	**(0.831)**
(5.260)	(5.260)	General fund (surplus)/deficit brought forward	(6.945)
(6.945)	**(6.945)**	**General fund (surplus)/deficit carried forward**	**(7.776)**
0.000	0.000	Amount of general fund balance held by governors under scheme to finance schools	0.000
(6.945)	(6.945)	Amount of general fund balance available for new expenditure	(7.776)
(6.945)	**(6.945)**	**General fund balance carried forward**	**(7.776)**

Note of reconciling items for SMGFB

2006/07 Net Expenditure £m	2006/07 Restated Net Expenditure* £m		2007/08 Net Expenditure £m	2007/08 Net Expenditure £m
		Amounts included in the income and expenditure account but required by statute to be excluded when determining the movement on the general fund balance for the year		
(0.046)	(0.046)	Amortisation of intangible fixed assets	(0.042)	
(21.078)	(60.488)	Depreciation and impairment of fixed assets	(49.303)	
31.197	31.197	Government grant deferred amortisation	23.501	
(14.238)	(14.238)	Amounts treated as revenue expenditure but which are classified as capital expenditure	(8.802)	
0.000	0.000	Differences between statutory debits/credits and amounts recognised as income and expenditure in relation to financial instruments	1.933	
0.220	0.220	Net gain or loss on sale of fixed assets	(7.194)	
(27.004)	(27.004)	Net charges made for retirement benefits in accordance with FRS17	(28.707)	
(30.949)	**(70.359)**			**(68.614)**
		Amounts not included in the income and expenditure account but required to be included by statute when determining the movement on the general fund balance for the year		
7.062	7.376	Statutory provision for repayment of debt	8.993	
0.241	0.241	Capital expenditure charged to the general fund balance	(0.207)	
(0.096)	(0.096)	Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	(0.067)	
18.733	18.733	Employers contributions payable to West Midlands Pension Fund and retirement benefits payable direct to pensioners	20.647	
25.940	**26.254**			**29.366**
		Transfers to or from the general fund balance that are required to be taken into account when determining the movement on the general fund balance for the year		
0.551	0.551	Voluntary provision for repayment of debt	0.288	
4.587	11.563	Net transfer to or from earmarked reserves	9.191	
5.138	**12.114**			**9.479**
0.129	**(31.991)**	**Net additional amount required to be credited to the general fund balance for the year**	**(29.769)**	**(29.769)**
(1.814)	30.306	(Surplus) or deficit from income and expenditure account		28.938
(5.260)	(5.260)	General fund balance (surplus)/deficit brought forward		(6.945)
(6.945)	**(6.945)**	**General fund balance (surplus)/deficit carried forward**		**(7.776)**

* 2006/07 comparatives have been amended within the I&E and therefore corresponding entries have been made in the SMGFB in line with FRS28. There is no change to the council's reserves.

Statement of total recognised gains and losses (STRGL)

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the income and expenditure account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the costs of retirement benefits.

2006/07			2007/08
Published	**Restated***		
£m	**£m**		**£m**
(1.814)	30.306	(Surplus) or deficit on the income and expenditure account	28.938
6.098	18.535	(Surplus) or deficit arising on revaluation of fixed assets	(5.731)
0.000	0.000	(Surplus) of deficit arising on revaluation of available-for-sale financial assets	0.000
(36.560)	(37.337)	Actuarial (gains) and losses on pension fund assets and liabilities	74.958
(0.374)	(0.374)	(Surplus) or deficit arising from collection fund	1.239
44.080	15.404	Any other (gains) and losses required to be included in the STRGL	0.017
11.430	**26.534**	**Total recognised (gains) and losses for the year**	**99.421**

* Other gains and losses under 2006/07 comparisons have been restated in line with comparability as covered under FRS 28. The entries of £15.104m within other gains and losses relate to the establishment of a Government grants unapplied account. The remaining £0.300m relates to adjustments within ear marked reserve balances dating back to 2005/06.

Please see note 38 on page 64 for further details of these movements.

Balance sheet

31-Mar-07 Published £m	Restated* £m	Balance sheet	31-Mar-08 £m	£m	Notes
		Fixed assets			
0.132	0.132	Intangible assets	0.091		16
		Tangible assets			
		Operational assets			
716.134	716.134	*- Land and buildings*	703.384		16
3.591	3.591	*- Vehicles, plant, furniture and equipment*	4.048		16
68.739	68.739	*- Infrastructure assets*	65.156		16
13.758	13.758	*- Community assets*	13.950		16
		Non-operational assets			
6.712	6.712	*Investment properties*	10.399		16
16.006	16.006	*Assets under construction*	5.731		16
12.591	12.591	*- Surplus assets, held for disposal*	22.652		16
837.663	**837.663**	**Total fixed assets**		**825.411**	
21.705	21.705	Long term investments	26.705		47
11.309	11.309	Long term debtors	10.951		22
2.708	2.708	Deferred premiums on the early redemption of debt	0.000		47
35.722	**35.722**	**Total long term assets**		**37.656**	
		Current assets			
0.736	0.736	Stock and work in progress	0.671		23
58.916	58.916	Debtors	48.296		24
44.074	44.074	Investments	71.180		47
2.951	2.951	Landfill allowance trading scheme	1.188		25
2.586	2.586	Cash and bank	3.180		26
109.263	**109.263**	**Total current assets**		**124.515**	
982.648	**982.648**	**Total assets**		**987.582**	
		Current liabilities			
(10.104)	(10.104)	Bank overdraft	(4.643)		26
(0.287)	(0.287)	Borrowing repayable on demand or within 12 months	(0.342)		47
(2.626)	(2.626)	Landfill allowance trading scheme	(0.900)		25
(50.604)	(50.604)	Creditors	(57.309)		27
(63.621)	**(63.621)**	**Total current liabilities**		**(63.194)**	
919.027	**919.027**	**Total assets less current liabilities**	**924.388**	**924.388**	

Continued…..

Continued…..

31-Mar-07 Published £m	Restated* £m	Balance sheet	31-Mar-08 £m	£m	Notes
		Long term liabilities			
(247.869)	(247.869)	Long term borrowing	(263.409)		47
(5.493)	(5.493)	Provisions	(3.386)		28
(31.862)	(31.862)	Government grants deferred and contributions	(37.120)		30
0.000	(15.105)	Capital grants unapplied	(22.080)		31
(0.906)	(0.906)	Deferred liabilities	(0.628)		29
(3.640)	(3.640)	Deferred discounts on early redemption of debt	0.000		47
(207.485)	(207.485)	Liability related to defined pension scheme	(290.519)		32
(497.255)	**(512.360)**	**Total long term liabilities**		**(617.142)**	
421.772	**406.667**	**Total assets less liabilities**	**307.246**	**307.246**	
		Financed by:			
		Revenue reserves			
(6.945)	(6.945)	General fund reserve	(7.776)		40
(0.914)	(0.914)	Collection fund reserve	0.325		41
(25.168)	(32.144)	Earmarked reserves	(41.335)		42
(33.027)	**(40.003)**	**Total revenue reserves**		**(48.786)**	
		Capital reserves			
0.000	0.000	Capital adjustment account	(530.238)		44
0.000	0.000	Revaluation reserve	(1.480)		43
0.000	0.000	Financial instruments adjustment account	(1.932)		47
0.000	0.000	Available-for-sale financial instrument reserve	0.000		
(2.623)	(2.623)	Deferred capital receipts	(2.090)		46
(24.422)	(9.583)	Useable capital receipts reserve	(13.239)		45
(335.077)	(288.425)	Capital financing account	0.000		44
(234.108)	(273.518)	Fixed asset restatement account	0.000		44
(596.230)	**(574.149)**	**Total capital reserves**		**(548.979)**	
207.485	207.485	Pensions reserve	290.519	290.519	32
(421.772)	**(406.667)**	**Total net worth**	**(307.246)**	**(307.246)**	

* Within 2006/07 comparatives there have been adjustments. Walsall Council has re-classified £15.105m to Government grants unapplied account to reflect the unapplied nature of those grants at the balance sheet date. There have been further adjustments under FRS 28, as the nature of the PFI reserve has now been treated as a revenue reserve transferred from capital reserves.

Cash flow statement

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

2006/07	Restated		2007/08	
£m	£m		£m	£m
		Revenue activities		
		Cash outflows		
287.623	287.623	Cash paid to employees	291.925	
259.222	259.222	Other operating costs	277.875	
60.560	60.560	NNDR payments to national pool	62.290	
64.647	64.647	Housing benefit paid	67.763	
0.096	0.096	Capital receipts paid to pool	0.058	
22.586	22.586	Precepts paid	23.327	
694.734	**694.734**			**723.238**
		Cash inflows		
(1.693)	(1.693)	Rent	(3.155)	
(79.579)	(79.579)	Council tax receipts	(83.023)	
(91.179)	(91.179)	NNDR receipts from national pool	(98.014)	
(63.070)	(63.070)	Non-domestic rates receipts	(60.914)	
(18.370)	(18.370)	Revenue Support Grant	(16.815)	
(156.923)	(156.923)	Dedicated schools grant	(166.212)	
(75.969)	(75.969)	DWP grants for benefits	(104.480)	
(28.740)	(28.740)	HM Revenue and Customs	(25.425)	
(86.048)	(83.474)	Other Government grants	(90.654)	
(0.371)	(0.371)	Dividends from associates	(0.651)	
(111.832)	(116.069)	Other operating cash receipts and income	(113.168)	
(713.774)	**(715.437)**			**(762.511)**
(19.040)	**(20.703)**	**Revenue activities net cash flow**		**(39.273)**
		Returns on investments and servicing of finance		
11.160	11.160	Interest paid	12.355	
(3.422)	(3.422)	Interest received	(4.485)	
7.738	**7.738**			**7.870**
		Capital activities		
		Cash outflows		
0.197	0.197	Purchase of fixed assets	4.801	
3.000	3.000	Purchase of long term investments	5.000	
68.457	68.457	Other capital cash payments	46.408	
71.654	**71.654**			**56.209**
		Cash inflows		
(3.362)	(3.362)	Sale of fixed assets	(5.328)	
(33.663)	(32.000)	Capital grants received	(35.044)	
(1.841)	(1.841)	Other capital cash receipts	0.000	
(38.866)	**(37.203)**			**(40.372)**
21.486	**21.486**	**Net cash (inflow)/outflow before financing**		**(15.566)**
		Management of liquid resources		
0.000	7.918	Increase in short term investments	27.105	
0.000	**7.918**	**Net increase in short term investments**		**27.105**
		Financing		
0.645	0.645	Repayments of amounts borrowed	0.854	
(23.091)	(23.000)	New loans raised	(18.106)	
0.000	(0.091)	Short term loans raised	(0.342)	
(22.446)	**(22.446)**			**(17.594)**
(0.960)	**6.958**	**Net (increase)/decrease in cash**	**(6.055)**	**(6.055)**

Section 5
Notes to core financial statements

1. Prior period adjustments

In order for the council to comply with changes within SORP 2007 a number of adjustments have been made that have impacted on the comparative figures for 2006/07 in the 2007/08 Statement of Accounts. All changes have been made in accordance with FRS28 – Corresponding Amounts. These adjustments are:

- The restating of the STRGL in light of a review of last years accounts
- The movement of capital grants unapplied from net worth to long term liabilities
- The removal of PFI from capital grants to earmarked reserves

In addition to these changes, new accounting policies have been introduced in response to changes introduced by SORP 2007. These changes are:

- The charging of capital expenditure that does not enhance an asset (non-added value) to the income and expenditure account in light of new guidance
- Removal of fixed asset restatement account and capital financing account to be replaced with the capital adjustment account
- Introduction of the revaluation reserve
- Introduction of new requirement from accounting for financial instruments through the incorporation of FRS25, 26 & 29 as discussed in note 47 – financial instruments.

These adjustments are not retrospective with the exception of that for non-added value. This means that the 2006/07 comparatives in the 2007/08 statement of accounts have not been adjusted for the changes other than that for non-added value expenditure.

2. Audit costs

In 2007/08 Walsall incurred the following fees for audit and inspection services.

2006/07 £m	Type of fee	2007/08 £m
0.169	Grant claims	0.091
0.088	Inspections	0.050
0.226	Audit of accounts	0.403
0.000	Other work	0.000
0.483	**Total**	**0.544**

3. Trading account summary

The individual performance of each of the trading accounts included within the income and expenditure account is as follows:

2006/07			2007/08		
(Surplus)/ deficit £m	Restated £m		Income £m	Expenditure £m	(Surplus)/ deficit £m
1.116	1.909	Internal support services	(3.131)	3.612	0.481
(0.084)	(0.084)	Markets	(0.720)	0.636	(0.084)
1.498	1.498	Cleaning and caretaking	(5.423)	6.799	1.376
1.186	1.546	Catering	(2.381)	4.238	1.857
3.716	**4.869**	**Total**	**(11.655)**	**15.285**	**3.630**

The comparatives for 2006/07 have been adjusted to take account of the change in SORP for non-added value expenditure.

In order to satisfy the requirements of competition law, recharges for internal work done by trading operations following competition with the private sector have been priced to include a cost of capital recovery. SORP does not permit charges for cost of capital to be debited to trading accounts. As a result, the accounts for markets shows a surplus of £0.084m (£0.084m in 2006/07) that would be reduced to £0.071m (£0.071m in 2006/07) if cost of capital was charged.

4. Dedicated schools grant

The council's expenditure on schools is funded by grant monies provided by Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the schools budget. The schools budget includes elements for a restricted range of services provided on an authority wide basis and for the Individual Schools Budget (ISB), which is divided into budget shares for each school. Over and under spends on the two elements are required to be accounted for separately. The council has not supplemented the Schools Budget from its own resources this year.

2006/07 comparative figures have been amended from those previously published following consultation with DCSF resulting in schools contingency budget and expenditure moving from ISB expenditure to central expenditure.

Details of the deployment of DSG receivable for 2007/08 are as follows:

2006/07				2007/08		
Central Budget £m	**ISB £m**	**Total £m**	**Schools Budget funded by dedicated schools grant**	**Central Budget £m**	**ISB £m**	**Total £m**
(14.860)	(141.986)	(156.846)	Original grant allocation to schools budget for current year in the council's budget	(17.910)	(149.930)	(167.840)
(0.077)	0.000	(0.077)	Adjustment to finalised grant allocation	1.628	0.000	1.628
(14.937)	**(141.986)**	**(156.923)**	**DSG receivable in year**	**(16.282)**	**(149.930)**	**(166.212)**
14.719	141.016	155.735	Actual expenditure in year	15.338	147.454	162.792
(0.218)	**(0.970)**	**(1.188)**	**Over/(under) spend in year**	**(0.944)**	**(2.476)**	**(3.420)**
0.000	0.000	0.000	Planned top-up funding of ISB from council resources	0.000	0.000	0.000
0.000	0.970	0.970	Use of schools balances brought forward	0.000	2.476	2.476
0.000	0.000	0.000	Over/(under) spend from prior year	(0.218)	0.000	(0.218)
(0.218)	**0.000**	**(0.218)**	**Over/(under) spend carried forward to next year**	**(1.162)**	**0.000**	**(1.162)**

5. Discretionary expenditure

Section 137 of the Local Government Act 1972 as amended allows councils to make contributions to certain charitable funds, not-for-profit bodies providing a public service and mayoral appeals. Financial and legal support given to these bodies amounted to £0.426m (£0.441m in 2006/07).

6. Publicity expenditure

As allowed by section 5(i) of the Local Government Act 1986 the council has spent the following on publicity.

2006/07 £m	Publicity	2007/08 £m
0.725	Recruitment advertising	0.630
0.060	Public and legal notices	0.048
0.677	Other advertising and publicity	0.685
1.462	**Total**	**1.363**

7. Members allowances

The allowances paid to elected members of the council were:

2006/07 £m	Type of allowance	2007/08 £m
0.646	Basic allowances	0.675
0.169	Special responsibility	0.181
0.815	**Total**	**0.856**

8. Officers Emoluments

The breakdown of employees (including teachers) whose remuneration, excluding pension contributions, during 2007/08 was £50,000 or more in bands of £10,000 is shown below.

2006/07	Remuneration band	2007/08
105	£50,000 - £59,999	147
20	£60,000 - £69,999	49
21	£70,000 - £79,999	19
9	£80,000 - £89,999	11
2	£90,000 - £99,999	7
2	£100,000 - £109,999	1
0	£110,000 - £119,999	1
4	£120,000 - £129,999	3
0	£130,000 - £139,999	0
0	£140,000 - £149,999	0
1	£150,000 - £159,999	0
0	£160,000 - £169,999	1
164	**Total**	**239**

9. Local Authorities (Goods and Services) Act 1970

Under the Local Authority (Goods and Services) Act 1970 the council is allowed to provide goods and services to other public bodies. Under this Act the council has received income for services supplied as shown in the table below.

2006/07 £m		2007/08 £m
0.017	Beechdale Community Housing Association	0.017
0.026	Starting Point	0.024
0.007	Black Country Connexions	0.006
0.566	Serco/Foundation Schools	0.610
0.001	Black Country Supply Service	0.003
0.352	Walsall Housing Group	0.047
0.102	Walsall Alliance of Tenant Management Organisations	0.102
0.000	Walsall college	0.262
0.000	Dartmouth youth centre	0.014
0.000	Walsall regeneration company	0.001
1.071	**Total**	**1.086**

10. PFI

The council is currently undertaking two Private Finance Initiative schemes. These are St Thomas More school and public lighting.

St Thomas More

This PFI reached contractual close in 2001/02. As a result a new secondary school was built in Willenhall. The contractor will operate this school for an anticipated period of 25 years.

The facilities were made 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
Year 2 to 5 of the agreement	7.635
Year 6 to 10 of the agreement	10.771
Year 11 to 15 of the agreement	12.366
Year 16 to 20 of the agreement	14.196
Year 21 to 25 of the agreement	16.298
Total	**62.969**

Public Lighting

The council together with partner Amey Highways has now completed 6 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
Year 2 to 5 of the agreement	12.633
Year 6 to 10 of the agreement	21.745
Year 11 to 15 of the agreement	26.230
Year 16 to 20 of the agreement	31.693
Year 21 to 25 of the agreement	47.325
Total	**141.453**

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 following table.

2006/07 £m	PFI project	2007/08 £m
0.000	Street Lighting	0.025
0.000	**Total**	**0.025**

11. Related parties

The SORP requires the disclosure of any material transactions with related bodies that are not disclosed elsewhere in this statement of accounts. 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 grants and national non-domestic rates are shown on the income and expenditure account (page 29). Other grants that are received by the council are analysed elsewhere in this statement (notes 35 and 36, page 62).

Local authorities

Please refer to note 9, page 39 within this statement.

Other public bodies

Precepts are levied on the council by the West Midlands Police Authority and the West Midlands Fire and Civil Defence Authority. A levy is raised against the council by the West Midlands Passenger Transport Executive (WMPTE).

In addition to these precepts and levies the following amounts have been paid over to these organisations:

2006/07 Net Expenditure £m		2007/08 Income £m	2007/08 Expenditure £m	2007/08 Net Expenditure £m
0.205	West Midlands Police Authority	(0.158)	0.970	0.812
0.036	West Midlands Fire and Civil Defence Authority	(0.017)	0.072	0.055
0.619	WMPTE	0.000	0.548	0.548
0.860	**Total**	**(0.175)**	**1.590**	**1.415**

Grants have been made to Walsall tPCT of £0.678m through the Neighbourhood Renewal Fund.

Associated companies

Please refer to note 12, page 41 within this statement.

Joint venture partners

The only partners that can be classified under this heading are the pooled budgets with the local primary care trust. Please refer to note 14, page 43 within this statement.

Pension fund

Please refer to note 32, page 57 within this statement

Members

All members' pecuniary and non-pecuniary interests are open to public inspection 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. There were no transactions between the council and organisations detailed in the register. Details of allowances paid to members are shown in note 7 on page 38.

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

Council officers are required to declare any interests under section 117 of the Local Government Act 1972. The register has been examined and records of payments to and receipts from all organisations contained therein have been checked. The council has made payments to organisations in which officers have an interest of £0.428m and there have been no receipts.

Other organisations

The council has made grants to voluntary organisations amounting to £4.017m. 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 £0.525 million have also been made to Education Walsall through the Neighbourhood Renewal Fund.

12. 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% of these shares. Airport Group Investments Ltd own 48.25% of ordinary shares with the remaining 2.75% forming an Employee Share Trust. 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.

Airport Group Investments Ltd, a limited company owned by Ontario Teachers' Pension Fund and Australia's Victorian Funds Management Corporation, completed the purchase of the shares of Aer Rianta International (The Irish Airports operator) and Macquarie Airports (UK) No. 2 Ltd, representing 48.25% of BAH's total ordinary shares, in September 2007 for a total of £420m.

The 2007/08 financial extract shown below is from the pre-audit accounts of BAH.

2006/07 £m		2007/08 £m
109.129	Turnover	109.951
254.434	Net assets	263.089
17.068	Profit before taxation	19.717
12.070	Profit after taxation	22.897

To obtain a copy of the latest financial accounts for Birmingham Airport Holdings please contact the airport at the address shown in section 9 page 100.

13. Building Control Account

The Building (Local Authority Charges) Regulations 1998 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 below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

2006/07				2007/08		
Chargeable £m	Non-chargeable £m	Total £m		Chargeable £m	Non-chargeable £m	Total £m
			Expenditure			
0.277	0.110	0.387	Employee expenses	0.405	0.115	0.520
0.016	0.005	0.021	Transport	0.019	0.006	0.025
0.078	0.013	0.091	Supplies and services	0.005	0.010	0.015
0.090	0.070	0.160	Central support services	0.034	0.035	0.069
0.461	**0.198**	**0.659**	**Total expenditure**	**0.463**	**0.166**	**0.629**
			Income			
(0.472)	0.000	(0.472)	Building regulation charges	(0.453)	0.000	(0.453)
0.000	(0.006)	(0.006)	Miscellaneous income	0.000	(0.001)	(0.001)
(0.472)	**(0.006)**	**(0.478)**	**Total income**	**(0.453)**	**(0.001)**	**(0.454)**
(0.011)	**0.192**	**0.181**	**(Surplus)/deficit for year**	**0.010**	**0.165**	**0.175**

This account must break even over each three-year period. The net position over the three years 2005/06 to 2007/08 was a small deficit of £0.009m. The breakdown of this is shown below.

Year	Outturn £m
2005/06	0.010
2006/07	(0.011)
2007/08 (pre-audit)	0.010
3 year (surplus) / deficit	**0.009**

14. 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 Walsall teaching Primary Care Trust (the 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. The health and social care service pooled budget shows an underspend of £0.360m in 2007/08 (£0.277m overspend in 2006/07). The integrated community equipment service shows an overspend of £0.918m in 2007/08 (£0.158m overspend in 2006/07). The details for these accounts are as follows:

2006/07 Total £m	Pooled fund memorandum account – integrated health & social care for adults with learning difficulties	2007/08 Cash £m	Grant £m	Total £m
	Expenditure			
1.630	Integrated team	1.398	0.300	1.698
7.750	Community support	7.875	0.181	8.056
2.943	Day care	2.997	0.000	2.997
10.342	Residential & Nursing	11.842	0.382	12.224
0.613	Supported employment	0.807	0.000	0.807
2.225	Psychiatric & medical	2.481	0.000	2.481
1.933	Management & administration	1.476	0.000	1.476
27.436		**28.876**	**0.863**	**29.739**
	Gross funding			
(13.455)	Walsall tPCT	(15.233)	(0.233)	(15.466)
(13.704)	Walsall Council	(14.003)	(0.630)	(14.633)
(27.159)		**(29.236)**	**(0.863)**	**(30.099)**
0.277	**Net over/(under) spend**	**(0.360)**	**0.000**	**(0.360)**

2006/07 Total £m	Pooled fund memorandum account – integrated community equipment service	2007/08 Cash £m	Grant £m	Total £m
	Expenditure			
0.314	Staffing costs	0.310	0.000	0.310
0.147	Premises/facilities	0.130	0.000	0.130
0.010	Transport	0.020	0.000	0.020
0.875	Equipment – Walsall Council	1.745	0.000	1.745
0.003	Equipment - tPCT	0.004	0.000	0.004
1.349		**2.209**	**0.000**	**2.209**
	Gross funding			
(0.450)	Walsall tPCT	(0.531)	0.000	(0.531)
(0.741)	Walsall Council	(0.760)	0.000	(0.760)
(1.191)		**(1.291)**	**0.000**	**(1.291)**
0.158	**Net over/(under) spend**	**0.918**	**0.000**	**0.918**

15. Local Area Agreements and associated local strategic partnerships

The council is a participant in a local area agreement (LAA). This is a partnership with other public bodies involving the pooling of Government grants to finance work towards jointly agreed objectives for local public services. In 2007/08 the LAA has completed the second year of its three year agreement.

The LAA is the delivery plan for the first three years of the draft Sustainable Community Strategy (SCS). It must contain up to 35 indicators and targets which are agreed with Government.

The indicators are chosen from the National Indicator Set and, therefore, the LAA sits at the heart of the new local performance framework. They provide much greater clarity about the relationship of national and local priorities, a reduction and rationalisation of national performance monitoring, and greater financial flexibility.

Government will measure the Partnership on progress against these targets and potentially reward grant will be paid for success in achieving the basket of LAA indicators.

In Walsall an open and inclusive process has been applied across the Partnership to select 25 indicators which have been put to Government Office West Midlands (GOWM) for agreement. The indicators have been selected on the basis that they:

- have a direct impact on the priorities set out in the draft SCS;
- are cross-cutting;
- and are delivered in partnership

The LAA partners are:

- Aaina Women's Centre
- Accord Housing Association
- Advantage West Midlands
- Ashram Housing Association
- Black Country Chamber of Commerce
- Black Country Consortium
- Breathing Space Ltd
- Bromford Housing Association
- Caldmore Housing Association Limited
- Community Empowerment Partnership Board
- Education & Business Partnership
- Education Walsall
- Government Office for the West Midlands
- Groundwork Black Country
- Health and Social Care Partnership Board
- Heantun Housing Association Limited
- Jobcentre Plus
- Learning & Skills Council
- Local Neighbourhood Partnerships
- Mercian Housing
- Multi Faith Forum
- New Deal For Communities
- SERCO
- St Paul's Enterprises Ltd
- Steps to Work
- Strategic Walsall Borough Partnership (SWBP)

- The Prince's Trust
- The Vine Trust
- University of Wolverhampton
- Walsall College
- Walsall Council
- Walsall Endeavours
- Walsall Football Club
- Walsall Hospitals NHS Trust
- Walsall Housing Group
- Walsall Lifelong Learning Alliance
- Walsall NHS Hospital Trust
- Walsall Primary Care Trust
- Walsall Regeneration Company
- Walsall tPCT
- Walsall Training Providers
- Walsall Voluntary Action
- West Midlands Fire Service
- West Midlands Police
- Walsall Housing Regeneration Agency (WHRA)

Walsall Council acts as the accountable body for the LAA. This means that the council is responsible for managing the distribution of grant paid by Government Office to the partners involved, but the council does not determine which bodies are due payment. This is determined by the Local Strategic Partnership. The council therefore acts as agent to the partnership and has therefore not recognised the full amount of LAA Grant in its financial statements, only that element which is to be spent by the council in delivering its services.

The total amount of LAA grant for revenue purposes received by the local strategic partnership is £6,692,429 including £128,835 carry forward from 2006/07. In addition to this the council received £1,363,857 LAA grant for capital purposes. This therefore gives total LAA income of £8,056,286. Of this the council received £7,381,931 of this total to fund LAA target based activities led by it's own services including the carry forward from 2006/07.

As accountable body the council is potentially responsible for repaying to the Government any element of grant that is found to have been misused by its partners. Systems are in place for distributing grant that are designed to limit the possibility of this happening. It has not been necessary to recognise any contingent liabilities for possible repayments and no provision has been made for any such eventuality.

16. Movement in fixed assets

Movements in the council's tangible operational fixed assets are shown in the following table.

	Operational fixed assets				
	Infra-structure	Land and Buildings	Vehicles, plant and equipment	Community assets	Total
	£m	£m	£m	£m	£m
Gross Book Value	119.268	779.205	6.442	13.758	918.673
Accumulated depreciation as at 31 March 2007	(50.529)	(63.072)	(2.851)	0.000	(116.452)
Net Book Value as at 31 March 2007	**68.739**	**716.133**	**3.591**	**13.758**	**802.221**
Movements in 2007/08					
Additions	0.420	0.000	1.613	0.000	2.033
Disposals	0.000	(7.220)	0.000	0.000	(7.220)
Restatements	0.000	4.413	0.000	0.000	4.413
Revaluations	0.000	0.003	0.000	0.192	0.195
Expenditure for capital purposes	14.151	15.530	0.994	0.649	31.324
Total movements	**14.571**	**12.726**	**2.607**	**0.841**	**30.745**
Depreciation in year	(4.003)	(15.324)	(1.156)	0.000	(20.483)
Impairment due to economic consumption	0.000	(0.296)	0.000	0.000	(0.296)
Impairment not due to economic consumption	(14.151)	(9.855)	(0.994)	(0.649)	(25.649)
Net Book Value as at 31 March 2008	**65.156**	**703.384**	**4.048**	**13.950**	**786.538**
Accumulated depreciation as at 31 March 2008	**(54.532)**	**(78.396)**	**(4.007)**	**0.000**	**(136.935)**

£13.950m of community assets represents the value of art works being held by the authority in the New Art Gallery (£11.808m), Leather Museum (£0.750m) and Walsall Museum (£1.200m). This year an addition has been made to include the civic regalia (£0.192m).

Movements in the council's tangible non-operational fixed assets are shown in the following table.

	Non-operational fixed assets			
	Investment Properties	Assets under construction	Surplus assets held for disposal	Total
	£m	£m	£m	£m
Gross Book Value	7.243	16.006	13.544	36.793
Accumulated depreciation as at 31 March 2007	(0.531)	0.000	(0.953)	(1.484)
Net Book Value as at 31 March 2007	**6.712**	**16.006**	**12.591**	**35.309**
Movements in 2007/08				
Additions	1.844	5.383	2.767	9.994
Disposals	(0.031)	0.000	(0.488)	(0.519)
Restatements	0.096	(15.637)	11.127	(4.414)
Revaluations	1.284	0.000	0.000	1.284
Expenditure for capital purposes	0.000	0.000	0.000	0.000
Total Movements	**3.193**	**(10.254)**	**13.406**	**6.345**
Depreciation in year	0.531	0.000	(0.321)	0.210
Impairment due to economic consumption	(0.037)	(0.021)	(3.024)	(3.082)
Impairment not due to economic consumption	0.000	0.000	0.000	0.000
Net Book Value as at 31 March 2008	**10.399**	**5.731**	**22.652**	**38.782**
Accumulated depreciation as at 31 March 2008	**0.000**	**0.000**	**(1.274)**	**(1.274)**

Movements in the council's intangible fixed assets are shown in the following table.

Intangible fixed assets	Total
	£m
Gross Book Value	0.211
Accumulated amortisation as at 31 March 2007	(0.079)
Net Book Value as at 31 March 2007	**0.132**
Movements in 2007/08	
Additions	0.001
Disposals	0.000
Restatements	0.000
Revaluations	0.000
Expenditure for capital purposes	0.000
Total movements	**0.001**
Amortisation in year	(0.042)
Impairment due to economic consumption	0.000
Impairment not due to economic consumption	0.000
Net Book Value as at 31 March 2008	**0.091**
Accumulated amortisation as at 31 March 2008	**(0.121)**

Valuation of fixed assets

The freehold and leasehold properties in the categories other land and buildings, and investment properties have been valued by an internal valuer S D Law MRICS, the council's Estate and Asset Manager, on the following bases in accordance with the Royal Institute of Chartered Surveyors' Appraisal and Valuation Standards. A 5 year rolling programme is in place to update the asset values, and also whenever a permanent material change occurs in value arising from market forces, physical alterations, or a change in categorisation or classification occurs. Not all of the properties are inspected as this is not practicable and is not considered necessary for the purpose of the valuation.

Operational properties, i.e. those used to provide a service, have been valued on the basis of Existing Use Value, or in the case of specialised properties by the depreciated replacement cost method.

Plant and equipment, where appropriate, is included in the valuation of the buildings.

Investment properties have been valued on the basis of market value. Incomplete capital works, valued at cost, are included within assets under construction on the balance sheet; the balances are transferred to the appropriate category on completion of the works. Properties declared surplus to requirements are also included within non-operational assets.

The sources of information and assumptions made in producing the valuations are set out in a valuation report. The definitions of the valuation bases are set out in the RICS Valuation Standards (6th edition).

Community assets (e.g. parks) and infrastructure assets (e.g. roads) have not been valued but are included at historic cost, net of depreciation, in accordance with SORP 2007.

Intangible assets such as purchased software licences are included at historic cost and amortised over a reasonable period, usually 5 years.

17. Analysis of fixed assets

The analysis of fixed assets specifies assets owned by the Council and reflected in the Balance Sheet, as opposed to services established in buildings that are not included in the Council's asset register. Therefore, 11 Voluntary Aided primary schools and 3 Voluntary Aided secondary schools occupying sites not included within the asset register have been excluded from the current analysis.

Asset	31-Mar-07	31-Mar-08	Asset	31-Mar-07	31-Mar-08
Infrastructure			Sports centres	3	2
Hectares of derelict land	7.41		Youth clubs	12	11
Hectares of public open space	1,365.33	1,367.23	Community centres	28	27
Kilometres of road	857.3	862.2	Town halls	2	2
Off street car parks	64	68	Civic centre	1	1
Parking spaces	3,238	3,416	Parks' lodges	11	11
Allotments	35	36	Residential centres for children	6	6
			Residential centres for elderly people	9	9
Land and buildings			Residential centres for rehabilitation	1	1
Nursery schools	17	21	Community meeting halls	1	1
Primary schools	90	87	Swimming pools	5	4
Secondary schools	18	18	Crematorium	1	1

Asset	31-Mar-07	31-Mar-08	Asset	31-Mar-07	31-Mar-08
Special schools	7	7	Tenanted farms	10	11
School houses	68	68			
Waste disposal – transfer station	1	1	**Vehicles, plant and equipment**		
Waste disposal – disposal sites	2	2	Vans	4	2
Function halls	3	3	Tipper trucks	3	3
Theatres	2	2	Minibuses and crewbuses	5	3
Libraries	17	18	4x4 vehicles	3	3
Museums/art galleries (including leather centre)	5	4	Saloons/estate cars	2	2
Challenge building	1	1	Sweepers	3	3
Highways compulsory purchase	1	1	Welfare vehicles	5	5
Homes for people with mental or physical disabilities	5	5	Refuse collection vehicles	12	13
Community rooms	2	2	Trailers	24	21
Neighbourhood offices	19	17			
Other administrative buildings	31	39	Mobile libraries	3	3
Depots	8	7	Mayoral car	2	1
Cemetery lodges	6	6	Playbuses	2	2
Social services offices	7	6	Tractors	0	6
Elderly day care centres	3	3			
Adult training centres	4	3	**Community assets**		
Family centres	2	2	Cemeteries	8	8
Physically disabled day care centres	1	1	Art works and museum treasures	12,496	12,496
Public conveniences	11	9			

18. Capital expenditure and financing

The following table outlines the capital expenditure for the council and how this expenditure was financed.

2006/07 £m		2007/08 £m
	Expenditure in year:	
19.735	Infrastructure	14.571
19.320	Land and buildings	15.530
4.613	Vehicles, plant and equipment	2.607
0.312	Community assets	0.649
10.977	Non-operational assets	9.994
54.957		**43.351**
14.238	Deferred charges	8.802
0.012	Intangible assets	0.001
69.207	**Total capital expenditure**	**52.154**

2006/07 £m		2007/08 £m
	Financed by:	
14.002	Supported borrowing	10.313
12.028	Unsupported borrowing	12.844
10.355	Capital receipts	1.605
30.021	Capital grants and contributions	28.607
2.560	Capital expenditure awaiting reimbursement	(1.008)
0.241	Direct revenue funding	(0.207)
69.207	**Total financing**	**52.154**

The split of this expenditure between services is shown below.

2006/07 £m	Services	2007/08 £m
25.043	Children and young people	17.574
32.644	Regeneration and neighbourhood services	24.798
10.456	Social care and supported housing	9.066
1.064	Corporate services	0.716
69.207	**Total financing by service**	**52.154**

The following details the split of expenditure for deferred charges.

2006/07 £m	Deferred Charges	2007/08 £m
8.216	Improvement grants	5.594
1.358	Children and young people	0.762
4.664	Regeneration and neighbourhood services	2.446
14.238	**Total**	**8.802**

19. Capital contracts

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

2006/07 £m	Services	2007/08 £m
3.709	Children and young people	4.530
12.624	Regeneration and neighbourhood services	5.488
0.577	Social care and supported housing	3.685
0.024	Corporate services	0.224
16.934	**Total**	**13.927**

20. Operating and Finance Leases

Operating leases

The council has a number of operating leases for vehicles. These are shown below:

2006/07 Number of assets	2006/07 Lease charges £m	Asset leased	2007/08 Number of assets	2007/08 Lease charges £m
74	0.171	Vans	66	0.164
3	0.061	Cesspit emptiers	3	0.061
66	0.273	Tipper trucks	67	0.255
12	0.065	Minibuses	19	0.061
5	0.017	4x4 vehicles	5	0.013
4	0.006	Saloons/estate cars	4	0.006
6	0.098	Sweepers	15	0.091
34	0.282	Welfare vehicles	28	0.213
11	0.037	Gritters & Gritting bodies	11	0.032
3	0.002	Construction Plant	1	0.003
33	0.460	Refuse collection vehicles	33	0.484
4	0.013	Trailers	19	0.031
2	0.011	Mobile libraries	2	0.013
0	0.000	Agricultural Machinery	4	0.010
2	0.002	Rhino Patcher	2	0.003
0	0.004	Mayoral Car	1	0.009
3	0.005	Tractors	3	0.005
	0.369	Leased equipment		0.283
262	**1.876**		**283**	**1.737**

The committed payments next year for assets on an operational lease are shown in the table below. These are split into those commitments that expire next year, those between the second and fifth years (shown individually) and those longer than five years.

2006/07 Committed payments £m	Year commitment ends	2007/08 Committed payments £m
1.075	2008/09	1.239
0.768	2009/10	1.196
0.378	2010/11	0.542
0.000	2011/12	0.202
0.000	2012/13	0.000
0.000	2013/14 or later	0.000
2.221		**3.179**

Finance leases

The council effectively holds a leisure centre at Oak Park under a finance lease. The council anticipates paying an annual peppercorn rental of £1 per annum.

The following table is an analysis of assets and lease charges held under finance leases.

2006/07		Asset leased	2007/08	
Number of assets	Lease charges £m		Number of assets	Lease charges £m
0	0.000	Leisure centre	1	0.000
0	**0.000**		**1**	**0.000**

The book values and depreciation for finance leases are as follows;

	Finance Leases (Buildings) £m	Total £m
Gross book value	0.000	0.000
Accumulated depreciation as at 31 March 2007	0.000	0.000
Net book value as at 31 March 2007	**0.000**	**0.000**
Movements in 2007/08		
Additions	0.000	0.000
Depreciation	0.000	0.000
Total movements	**0.000**	**0.000**
Net book value as at 31 March 2008	**0.000**	**0.000**

The authority has no obligations under finance leases;

2006/07 Committed payments £m	Year commitment ends	2007/08 Committed payments £m
0.000	2008/09	0.000
0.000	2009/10	0.000
0.000	2010/11	0.000
0.000	2011/12	0.000
0.000	2012/13	0.000
0.000	2013/14 or later	0.000
0.000		**0.000**

During 2007/08 the council has not taken out any additional finance leases.

21. Net assets employed

This table outlines how the net assets of the authority, excluding pensions and collection fund, are utilised in the provision of its services split between core functions and foundation schools.

2006/07 £m	Restated £m		2007/08 £m
519.560	504.455	General fund	490.209
108.783	108.783	Foundation schools	107.881
628.343	**613.238**	**Total**	**598.090**

22. Long term debtors

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

2006/07 £m		2007/08 £m
0.132	Other local authorities	0.124
1.726	Probation	1.664
9.021	Waste disposal co-ordination	8.861
0.392	Mortgages	0.302
0.038	Other long term loans – employee car loans	0.000
11.309	**Total**	**10.951**

23. Stock and work in progress

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

2006/07 £m		2007/08 £m
	Stock	
0.008	Disinfestation stores	0.010
0.029	Reprographics	0.020
0.011	Small tools and plant	0.010
0.001	Stationery	0.004
0.152	Trading operations	0.112
0.519	Miscellaneous	0.515
0.016	Foundation Schools	0.000
0.736	**Total**	**0.671**

24. Debtors due within one year including Bad Debt Provision

The table below shows the amounts owed to the council for which payments have not been received by 31 March 2008, but which should be paid within one year.

2006/07 £m	Restated £m		2007/08 £m
7.685	7.685	Capital Debtors	6.234
27.172	22.229	Government Departments	11.567
0.587	0.587	Other local authorities	0.828
7.501	7.501	Council tax	8.170
2.130	2.130	National non-domestic rates	1.931
0.535	0.535	Housing rents	0.535
20.871	25.814	Other	28.685
66.481	**66.481**	**Sub-total**	**57.950**
(7.565)	(7.565)	Provision for bad debt	(9.654)
58.916	**58.916**	**Total**	**48.296**

Within other debtors £0.946m is included for property charges within Social Care and Inclusion. The council recognises that although these are correctly classified as debtors due within one year, events beyond the control of the authority make it probable that a proportion of these will be settled beyond that timeframe.

Provision for bad debts

The council makes provision for outstanding debt which it anticipates will not be recovered. The split of the provision is found in the table below.

2006/07 £m		2007/08 £m
(3.745)	Council Tax	(4.396)
(0.381)	NNDR	(0.361)
(3.439)	Other debtors	(4.897)
(7.565)	**Total**	**(9.654)**

25. Landfill Allowance Trading Scheme (LATS)

The landfill allowance trading scheme has been operating since 1 April 2005 after being introduced by the Waste and Emissions Trading Act 2003. This allows local authorities in England and Wales to trade landfill allowances between each other. So a council that does not fully use their allowance can sell it at a market price to any council 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). Councils are allowed to carry this amount over into the following year. However, the scheme has a number of years where any remaining allowances are required to be written off. The first of these is 31 March 2009. This will mean that in 2008/09 Local Authorities are unable to carry forward any remaining allowances.

The council has received allowances for 2007/08 of 73,444 tonnes. The estimated biodegradable municipal waste landfill usage is 42,052 tonnes. It has not brought or sold any allowances in the year or during the reconciliation period. DEFRA has advised that the average traded value for 2007/08 has been £5.00 per tonne.

Income and Expenditure Account	**Gross Income £m**	**Gross Expenditure £m**	**Net Expenditure £m**
Net Cost of Service			
Cultural, Environmental and Planning Services	1.722	(1.686)	0.036
Balance within General Fund	**1.722**	**(1.686)**	**0.036**

	Prior years £m	**2007/08 £m**	**Total £m**
Current Asset – Landfill Usage Allowance	0.821	0.367	1.188
Provision – liability to DEFRA for landfill usage	(0.690)	(0.210)	(0.900)
Earmarked reserve balance	(0.131)	(0.157)	(0.288)
Net total	**0.000**	**0.000**	**0.000**

26. Cash at bank

2006/07 £m		2007/08 £m
2.586	Cash in hand/bank	3.180
(10.104)	Cash overdrawn	(4.643)
(7.518)	**Total**	**(1.463)**

See cash flow statement (page 35) and note 34 (page 62) for further detail.

27. Creditors payable within one year

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

2006/07 £m		2007/08 £m
(2.127)	Capital creditors	(2.974)
(11.167)	Government departments	(10.153)
(3.911)	Other local authorities	(3.054)
(2.003)	Council tax	(1.848)
(0.929)	National non-domestic rates	(1.148)
(30.467)	Other	(38.132)
(50.604)	**Total**	**(57.309)**

28. Provisions

The following table shows the movement during the year of the provisions maintained by the council. The movements will have been charged or generated from the appropriate headings in the net cost of services. These represent provisions for future expenses in respect of liabilities incurred in relation to the year under review. The expected timing of any resultant transfer of economic benefit is not possible to state due to the nature of each provision.

	Balance as at 31 March 2007 £m	Additional / increase in provisions £m	Amounts used £m	Reversal of unused amounts £m	Balance as at 31 March 2008 £m
Government grant	(1.219)	(0.502)	1.214	0.000	(0.507)
Insurance fund	(2.677)	(0.577)	1.183	0.000	(2.071)
Section 117	(0.639)	0.000	0.235	0.000	(0.404)
Other	(0.958)	(0.100)	0.515	0.139	(0.404)
Total	**(5.493)**	**(1.179)**	**3.147**	**0.139**	**(3.386)**

Government grants

Walsall holds a provision of £0.005m to cover costs relating to the transitional protection on housing benefits. Further calculations and assessments are due to be carried out by Department for Works and Pensions (DWP) during 2008/09. In addition Walsall holds £0.502m (nil in 2006/07) for a possible claw back on the 2006/07 subsidy claim by DWP. Again Walsall is waiting for details of the assessment which is expected during 2008/09.

Insurance provision

The council has an established insurance fund to cover excesses on claims. These outstanding claims amount to £4.073m and are at various stages of being addressed and it is therefore unclear when settlement might be made. However, based on claims settlement profiles, projected settlements are estimated at £2.071m for which a provision is held to cover this.

Section 117

Section 117 of the Mental Health Act 1983 applies to people who have been detained in hospital under Sections 3, 37, 45A, 47 or 48 of the Mental Health Act 1983. Under this Section the Health Authority and Social Services have a duty to provide aftercare services until they are both satisfied that services are no longer required, at which point aftercare could cease. The Council would have charged for aftercare as part of normal charging procedures.

In July 1999 the High Court held that charges could not be made for aftercare services, including accommodation, provided under Section 117 of the Mental Health Act 1983. This judgment was upheld on appeal in July 2000.

The Local Government Ombudsman, in a Special report in 2003, advised that people who have paid for Section 117 aftercare are entitled to restitution with interest. In addition it advised Local Authorities to put mechanisms in place to identify those persons improperly charged, or improperly deprived of financial assistance, and to establish arrangements for reimbursing them or their estates. The Council is experiencing difficulties in locating potential claimants, however is working towards identifying as many claimants as possible.

The Local Government Ombudsman guidance, although not law, should be followed. If it is not followed the Council would be at risk of claims for which it has no defence. Should a successful complaint be filed against the Council, the instruction would be to make restitution to the client in the form of repayment. Walsall Council have provided for this liability within other provisions.

Other

In addition to the above provisions Walsall holds £0.404m (£0.958m in 2006/07) for other costs where the expected timing of any resultant transfer of economic benefit or future events can not be accurately predicted.

29. Deferred liabilities

The deferred liabilities represent deferred interest for LOBO stepped rate loans. These are to offset future higher interest costs due to stepped interest where the rate goes from a lower rate to higher rate.

2006/07 £m		2007/08 £m
(0.169)	Deferred income	0.000
(0.737)	Deferred LOBO interest	(0.628)
(0.906)	**Total**	**(0.628)**

30. Deferred Government grants and contributions

When a Government grant or any other contribution has been applied to the financing of capital expenditure on fixed assets, a balance is established representing a deferred credit to be released to revenue to set off the depreciation that might be charged on the assets. If this is not possible then the grant is written off fully to the income and expenditure account.

2006/07 £m		2007/08 £m
(32.440)	Balance brought forward	(31.862)
	Movement on Government Grants Deferred	
(30.619)	Grants received in year	(28.759)
31.197	Amounts credited to reconciliation to general fund in 2007/08	23.501
(31.862)	**Balance carried forward**	**(37.120)**

31. Government grants unapplied

These are grants that the council has received but have not yet been applied against the assets relevant to them.

2006/07 Capital Grants £m		2007/08 Capital Grants £m
(4.885)	Balance brought forward	(15.105)
(32.000)	Capital grants received during the year	(35.044)
29.022	Applied against schemes	27.061
(7.242)	Capital debtors movement	1.008
(15.105)	**Balance carried forward**	**(22.080)**

32. Retirement benefits

Teachers' pension scheme

Teachers employed by the council are members of the teachers pension scheme, administered by Capita Teachers' Pensions on behalf of the Department of Children, Schools and Families. It provides teachers with defined benefits upon their retirement, and the council as the local education authority (LEA) contributes towards the costs by making contributions based on a percentage of member's pensionable salaries.

In 2007/08 the council paid £12.668m (£11.880m in 2006/07) to Teachers' Pensions in respect of teachers' pension costs which represents 14.1% (14.1% in 2006/07) of teachers' pensionable pay. This includes those contributions in respect of the foundation schools (formerly grant maintained).

With regard to the teachers' pension scheme, there were no contributions remaining payable at the year end.

The scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions 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 purpose 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 below under Local Government Pension Scheme.

Liability due to local government reorganisation

The council is liable to pay costs of additional benefits awarded as part of the 1974 reorganisation of local government. In 2007/08 the council paid £0.023m (£0.017m in 2006/07) to Staffordshire County Council for these costs. The anticipated future liability for these benefits is approximately £0.080m.

Local government pension scheme

Participation within schemes

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 the employees retire, the council has a commitment to make payments that need to be disclosed at the time that employees earn their entitlement.

Walsall participates in the West Midlands Metropolitan Authorities Pension Fund, which is administered by Wolverhampton City 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 the council is responsible for all pension payments relating to previous 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 pension liability, and cash has to be generated to meet actual pension payments as they fall.

Transactions relating to retirement benefits

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 statement of movement on the general fund balance.

The following transactions have been made in the Income and Expenditure account and Statement of Movement on the General Fund Balance during the year:

West Midlands Authorities Pension Scheme			**Unfunded Teachers Pension Costs**	
2006/07 £m	**2007/08 £m**		**2006/07 £m**	**2007/08 £m**
		Income and Expenditure Account		
		Net cost of service		
20.409	**18.783**	Current service costs	0.000	**0.000**
0.240	**5.097**	Past service costs	0.117	**0.000**
0.000	**0.617**	Curtailment costs	0.000	**0.060**
0.000	**0.000**	Settlement gain	0.000	**0.000**
		Net operating expenditure		
32.378	**34.944**	Interest cost	0.687	**0.716**
(26.827)	**(31.494)**	Expected return on assets in the scheme	0.000	**0.000**
26.200	**27.947**	**Net charge to income and expenditure account**	**0.804**	**0.776**
		Statement of Movement on the General Fund Balance		
(8.611)	**(8.464)**	Reversal of net charges made for retirement benefits in accordance with FRS17	0.340	**0.388**
17.589	**19.483**	**Actual amount charged against general fund balance for pensions in the year**	**1.144**	**1.164**

Assets and liabilities in relation to retirement benefits

The underlying assets and liabilities for retirement benefits attributable to the council at 31 March 2008 are as follows:

	West Midlands Authorities Pension Fund		Unfunded teachers pension costs		Total	
	2006/07 £m	2007/08 £m	2006/07 £m	2007/08 £m	2006/07 £m	2007/08 £m
Estimated liabilities in scheme	(645.656)	(727.852)	(13.850)	(14.838)	(659.506)	**(742.690)**
Estimated assets in scheme	452.021	452.171	0.000	0.000	452.021	**452.171**
Net asset/(liability)	**(193.635)**	**(275.681)**	**(13.850)**	**(14.838)**	**(207.485)**	**(290.519)**

The liabilities show the underlying commitments that the council has in the long term to pay retirement benefits. The total liability of £290.519m has a substantial impact on the net worth of the authority. It reduces the overall net worth to £305.344m. However statutory arrangements for funding the deficit means that the financial position of the authority remains healthy:

- The deficit on the West Midlands Metropolitan Authorities Pension Fund will be made good by increasing employer contributions over the remaining working life of employees, as assessed by the scheme actuary on a triennial basis
- Finance is only required to be raised to cover the unfunded teachers' pensions when the pensions are actually paid.

Employee contributions are being increased from 1 April 2008 in addition to employer contributions to ensure adequate funding of future pension liabilities given the increase in life expectancies.

Basis for estimating assets and liabilities

Liabilities for both the West Midlands Metropolitan Authorities Pension Fund and the unfunded teachers' pension costs have been assessed by Mercers Human Resource Consulting Ltd, an independent firm of actuaries. The assessment has been on an actuarial basis using the projected unit method, an estimate of the pensions that will have to be paid in the future, using mortality rates, salary levels etc. The estimates for the West Midlands Metropolitan Authorities Pension Fund have been based on the latest full valuation of the scheme as at 31 March 2007.

The following actuarial assumptions have been made:

	West Midlands Authorities Pensions Fund		Unfunded teachers pension costs	
	2006/07	2007/08	2006/07	2007/08
Rate of inflation	3.10%	3.60%	3.10%	3.60%
Rate of increase in salaries	4.85%	5.35%	N/A	N/A
Rate of increase in pensions	3.10%	3.60%	3.10%	3.60%
Discount rate	5.40%	6.10%	5.40%	6.10%
Take up of option to convert annual pension into retirement grant	50.00%	50.00%	N/A	N/A

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

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

	West Midlands Authorities Pensions Fund			
	2006/07	**2006/07**	**2007/08**	**2007/08**
	%	**£m**	**%**	**£m**
Expected rate of return on assets				
- Equities	7.50%		7.50%	
- Government bonds	4.70%		4.60%	
- Other bonds	5.40%		6.10%	
- Property	6.50%		6.50%	
- Cash/Liquidity	5.25%		5.25%	
- Other	7.50%		7.50%	
Asset value split between investment categories				
- Equities	71.50%	323.194	65.30%	295.268
- Government bonds	8.40%	37.970	9.40%	42.504
- Other bonds	3.90%	17.629	3.70%	16.730
- Property	7.60%	34.354	7.00%	31.652
- Cash/Liquidity	1.10%	4.972	4.10%	18.539
- Other	7.50%	33.902	10.50%	47.478
Total	**100.00%**	**452.021**	**100.00%**	**452.171**

Actuarial gains and losses

The actuarial gains identified as movements on the pensions reserve in 2007/08 can be analysed into the following categories measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008.

	West Midlands Authorities Pensions Fund		Unfunded teachers pension costs	
	£m	**%**	**£m**	**%**
Difference between actual and expected return on assets	(47.966)	(10.60)	0.000	0.00
Effect of difference between actuarial assumptions on liabilities and actual experience	11.249	1.50	0.521	3.50
Effect of changes in assumptions	(36.865)	(5.10)	(1.897)	(12.80)
Net actuarial gain/(loss)	**(73.582)**	**(10.10)**	**(1.376)**	**(9.30)**

Analysis of the overall movements of the net actuarial gains and losses over the last five years is shown below:

	2003/04		2004/05		2005/06		2006/07		2007/08	
	£m	%	£m	%	£m	%	£m	%	£m	%
Difference between actual and expected return on assets	36.202	11.7	13.688	4.1	62.634	14.8	4.073	0.9	(47.966)	(10.6)
Effect of difference between actuarial assumptions on liabilities and actual experience	0.000	0.0	6.953	1.2	(12.091)	(1.9)	0.000	0.0	11.770	1.6
Effect of changes in assumptions	0.000	0.0	(95.001)	16.7	(50.649)	(7.8)	32.487	4.9	(38.762)	(5.2)
Net actuarial gain/(loss)	**36.202**	**26.7**	**(74.360)**	**(8.0)**	**(0.106)**	**(13.0)**	**36.560**	**5.5**	**(74.958)**	**(10.1)**

33. Reconciliation of income and expenditure accounts

This note reconciles the net (surplus)/deficit on the income and expenditure account to the council's movement in cash.

2006/07 £m	Restated £m		2007/08 £m
(1.814)	30.306	Net deficit/(surplus)	28.938
		Add back:	
(7.738)	(7.738)	Servicing of finance	(7.869)
(18.105)	0.000	Revenue cash activities	0.000
0.000	(68.510)	Non cash items on I&E	(68.490)
0.000	19.047	Cash items on SMGFB not in I&E	21.133
		Non cash transactions:	
5.135	5.135	Contributions to/(from) provisions	2.107
(5.261)	0.000	Contributions to/(from) reserves	0.000
7.686	0.000	Contributions to/(from) other accounts	0.000
		Items on an accrual basis:	
(0.021)	(0.021)	Increase/(decrease) in stock and work in progress	(0.065)
6.807	6.807	Increase/(decrease) in revenue debtors	(9.169)
(5.729)	(5.729)	(Increase)/decrease in revenue creditors	(5.858)
(19.040)	**(20.703)**	**Revenue activities net cashflow**	**(39.273)**

34. Movement in cash and cash equivalents

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

Movement in cash and cash equivalents	As at 31 March 2007 £m	Movement £m	As at 31 March 2008 £m
Cash overdrawn	(10.104)	5.461	(4.643)
Cash in hand	2.586	0.594	3.180
Short term investments	44.074	27.106	71.180
Net cash outflow	**36.556**	**33.161**	**69.717**

35. Analysis of revenue – other Government grants and reimbursements

2006/07 £m		2007/08 £m
22.938	Standards Fund	22.148
14.570	Learning & Skills Council	18.439
6.807	Neighbourhoods Renewal Fund	5.376
7.281	Sure Start	7.814
7.433	DCSF Schools Grant	9.496
2.447	LAA grant	5.932
7.198	Supporting People	7.234
6.317	Social Services Adult Grants	6.115
3.100	Other Social Services Children's Grants	0.661
0.426	Social Services Quality Projects	0.000
4.957	Other	7.439
83.474	**Total**	**90.654**

36. Analysis of capital grants

2006/07 £m		2007/08 £m
9.864	Schools Standards Fund	12.727
0.000	New Deal for Communities	0.939
5.416	Sure Start	1.578
0.170	ERDF	0.065
2.022	New Opportunities Fund for PE and Sport	0.419
0.218	Single Regeneration Budget	0.000
0.897	Public Finance Initiatives (PFI)	0.000
2.112	Housing Specific	5.914
0.441	Replacement Benefits System	0.132
4.198	Town centre transport package	6.156
1.079	Local Area Agreement	1.308
0.000	Neighbourhood Renewal Fund	0.612
5.583	Other	5.194
32.000	**Total**	**35.044**

37. Analysis of changes in net debt

	Opening Balance	Movements in Cash	Adjustments for new financial standards	New Borrowing Raised	Borrowing Repaid	Closing Balance
	£m	£m	£m	£m	£m	£m
Cash or Cash Equivalents	(36.556)	(33.161)	0.000	0.000	0.000	**(69.717)**
Birmingham Airport Shares/loan stock	(6.705)	0.000	0.000	0.000	0.000	**(6.705)**
Other long term investments	(15.000)	(5.000)	0.000	0.000	0.000	**(20.000)**
Long term investments	**(21.705)**	**(5.000)**	**0.000**	**0.000**	**0.000**	**(26.705)**
Cash and investments	**(58.261)**	**(38.161)**	**0.000**	**0.000**	**0.000**	**(96.422)**
PWLB	97.282	0.000	(1.999)	18.000	0.000	**113.283**
LOBO	122.000	0.000	0.000	0.000	0.000	**122.000**
OLA Debt	28.421	0.000	0.000	0.000	(0.556)	**27.865**
Schools bond	0.000	0.000	0.000	0.106	0.000	**0.106**
Long Term Borrowing	**247.703**	**0.000**	**(1.999)**	**18.106**	**(0.556)**	**263.254**
Temporary Loans	0.287	0.000	0.000	0.342	(0.287)	**0.342**
O/C Bonds	0.166	0.000	0.000	0.000	(0.011)	**0.155**
Temporary Borrowing	**0.453**	**0.000**	**0.000**	**0.342**	**(0.298)**	**0.497**
Total Borrowing	**248.156**	**0.000**	**(1.999)**	**18.448**	**(0.854)**	**263.751**
Total Net Debt	**189.895**	**(38.161)**	**(1.999)**	**18.448**	**(0.854)**	**167.329**

38. Movement in reserves

The council maintains a number of reserves in the balance sheet. Some are required to be held for statutory purposes, some are required to comply with proper accounting practices and others have been set up voluntarily to earmark resources for future spending plans.

Reserves	Balance 01-Apr-07 £m	Net Movement in year £m	Balance 31-Mar-08 £m	Purpose of reserve	Further details of movements within note
General fund	(6.945)	(0.831)	(7.776)	Resources available to meet future unbudgeted running costs for council services	40
Collection fund	(0.914)	1.239	0.325	Balance on council tax/NNDR	41
Other earmarked reserves	(32.144)	(9.191)	(41.335)	Resources setaside for specific purposes	42
Useable capital receipts	(9.583)	(3.656)	(13.239)	Proceeds of fixed asset sales available to meet future capital investments	45
Deferred capital receipts	(2.623)	0.533	(2.090)	Proceeds from fixed assets sales that are being repaid over a length of time	46
Capital Financing Account	(288.425)	288.425	0.000	Store of capital resources set aside to meet past expenditure	44
Fixed Asset Restatement Account	(273.518)	273.518	0.000	Store of gains on revaluation of fixed assets	44
Capital Adjustment Account	0.000	(530.238)	(530.238)	Capital resources setaside to meet past capital expenditure	44
Revaluation Reserve	0.000	(1.480)	(1.480)	Balance of gains on revaluations on fixed assets	43
Pensions reserve	207.485	83.034	290.519	Balancing account to allow inclusion of pensions liability in the balance sheet	32
Available-for-sale reserve	0.000	0.000	0.000	Store of gains/losses on revaluation of assets not yet realised through sale	n/a
Financial instruments adjustment account	0.000	(1.932)	(1.932)	Balancing account to allow for statutory requirements/proper accounting practice for borrowings/investments	47
Total	**(406.667)**	**99.421**	**(307.246)**		

Further analysis of movement in year of the council's reserves is shown below. This forms the basis for the statement of total recognised gains and losses (STRGL).

	I&E (surplus)/ deficit	(Gain)/ loss on revaluation	Actuarial (gain)/ loss on pensions	(Surplus)/ deficit on collection fund	Other (gains)/ losses	Total movements
	£m	£m	£m	£m	£m	£m
General fund	28.938	(7.194)	0.000	0.000	(22.575)	(0.831)
Collection fund	0.000	0.000	0.000	1.239	0.000	1.239
Other earmarked reserves	0.000	0.000	0.000	0.000	(9.191)	(9.191)
Useable capital receipts	0.000	(4.795)	0.000	0.000	1.139	(3.656)
Deferred capital receipts	0.000	0.000	0.000	0.000	0.533	0.533
Capital Financing Account	0.000	0.000	0.000	0.000	288.425	288.425
Fixed Asset Restatement Account	0.000	0.000	0.000	0.000	273.518	273.518
Capital Adjustment Account	0.000	7.738	0.000	0.000	(537.976)	(530.238)
Revaluation Reserve	0.000	(1.480)	0.000	0.000	0.000	(1.480)
Pensions reserve	0.000	0.000	74.958	0.000	8.076	83.034
Available-for-sale reserve	0.000	0.000	0.000	0.000	0.000	0.000
Financial instruments adjustment account	0.000	0.000	0.000	0.000	(1.932)	(1.932)
Total	**28.938**	**(5.731)**	**74.958**	**1.239**	**0.017**	**99.421**

39. Contingent assets and liabilities

Contingent assets

The council has no contingent assets to report in respect of the 2007/08 statement of accounts.

Contingent liabilities

In respect of the Black Country Consortium there is a contingent liability relating to a review into two specific procurement exercises by the Government Office for the West Midlands. The final outcome of this review is still to be announced but any financial impact on the council is expected to be limited.

There is ongoing work to gather all relevant evidence for European grant funding. Due to the number of organisations awarded grants by the council and the time span between award and the request for data submission, there is a risk that not all are able to provide the necessary quality of evidence required. The consequence of this may be that the council is required to repay part of the grants that have been awarded. In such circumstances the funds will be requested from the grant recipient wherever possible. It is not possible to predict with certainty the level of residual liability that this may place on the council.

HM Customs and Revenue have written to Walsall Council in relation to visits to the council's premises on 28 and 29 January 2008. An assessment of £408,772 was made. £320,148 relating to New Deal has been disputed. HMCE advise on 15 April 2008 they are still seeking information regarding this matter. There is the potential for alteration of the assessment to both increase or decrease this based on further HMCE investigation. Any liability incurred by the council could potentially be offset against New Deal.

The council has received a number of equal pay claims. Under the Equal pay Act 1970, as amended by the Equal Pay Act (Amendment) Regulations 2003, employees are entitled to equal pay for work of equal value. The claims are currently being assessed by legal officers to identify any potential liability to the council. As it has yet to be confirmed whether the council has an obligation as a result of these claims, no provision has been made in the balance sheet for 2007/8. It is anticipated that the assessment will be available within a few months and any liability arising will be accounted for when this arises

40. 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 0assessment. 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 for one-off expenses. The framework relating to general reserves is set out in the council's medium term financial strategy.

2006/07 £m		2007/08 £m
(5.260)	Balance brought forward	(6.945)
(1.685)	Transfer to/(from) general fund (see statement of movement on the general fund balance pg 30)	(0.831)
(6.945)	**Balance carried forward**	**(7.776)**

41. Collection fund reserve

See additional statements section, note 2, page 76 for further details.

42. Earmarked reserves

The table below shows amounts set aside for future use. These may only be used for the specific purposes they are intended for.

2006/07 £m		2007/08 £m
(0.474)	Nursery schools (net)	(0.333)
(6.386)	Primary schools (net)	(6.464)
(0.973)	Secondary schools (net)	(2.796)
(1.458)	Special schools (net)	(2.175)
(1.394)	Foundation schools (net)	(1.831)
(0.579)	College of continuing education	(0.384)
(6.976)	Private finance initiative	(8.154)
(13.904)	Other council earmarked reserves	(19.198)
(32.144)	**Total**	**(41.335)**

The reserves for schools represents the amount of unspent delegated budgets available to individual schools and the college of continuing education and are not generally available to the council for any other expenditure.

43. Revaluation reserve

This reserve has been established in line with proper accounting practices. It records the accumulated net gains on fixed assets held by the authority.

2006/07 £m		2007/08 £m
0.000	Opening balance	0.000
0.000	Upward valuations	(1.284)
0.000	Disposals	0.000
0.000	Omissions from register	(0.193)
0.000	Impairment losses due to clear economic benefits	0.000
0.000	Impairment losses not due to clear economic benefits	(0.003)
0.000	Depreciation	0.000
0.000	**Closing balance**	**(1.480)**

The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA) in accordance with SORP 2007. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

44. Capital adjustment account

This account outlines all the movements due to the financing of capital expenditure.

2006/07 £m		2007/08 £m
0.000	Opening Balance	0.000
0.000	Depreciation/Amortisation in year	20.316
0.000	Impairments in year	3.378
0.000	Disposal costs	7.739
0.000	Use of capital receipts	(1.605)
0.000	Deferred charges	8.802
0.000	Direct revenue funding of capital	0.207
0.000	Revenue provision for repayment of debt	(9.281)
0.000	Capital grants and contributions	(16.258)
0.000	Reversal of non-added value	25.649
0.000	Transfer from Fixed Asset Restatement Account	(273.518)
0.000	Additional transfer from Capital Financing Account	(295.667)
0.000	**Closing balance**	**(530.238)**

This account has been introduced by SORP 2007 through the merging of two former accounts, the Fixed Asset Restatement Account (credit of £273.518m at end of 2006/07) and Capital Financing Account (credit of £288.425m at end of 2006/07). To provide comparatives for 2006/07 we have included both the table for the capital financing account and fixed asset restatement account overleaf. These show the transfer to the capital adjustment account in 2007/08.

2006/07 £m	Capital Financing Account	2007/08 £m
(320.029)	Opening Balance	(288.425)
	Revenue resources set aside in 2006/07	
(10.355)	Capital receipts financing capital expenditure	0.000
(0.241)	Direct revenue funding of capital	0.000
(5.532)	Provision for repayment of external loans	(7.242)
33.495	Appropriations	0.000
14.237	Write off of deferred charges	0.000
	Transfer to Capital Adjustment Account	295.667
(288.425)	**Closing balance**	**0.000**

2006/07 £m	Fixed Asset Restatement Account	2007/08 £m
(294.680)	Opening Balance	(273.518)
	Revenue resources set aside in 2006/07	
6.098	Revaluation & restatement of fixed assets	0.000
15.064	Disposal of fixed assets	0.000
0.000	Adjustment for non owned assets	0.000
0.000	Non added value	0.000
0.000	Transfer to Capital Adjustment Account	273.518
(273.518)	**Closing balance**	**0.000**

45. Useable 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.

2006/07 Capital Receipts £m		2007/08 Capital Receipts £m
(15.247)	Balance brought forward	(9.583)
(1.841)	Other external funding	0.000
(3.458)	Capital receipts received during the year	(5.328)
10.355	Applied against schemes	1.605
0.539	Used to finance debt	0.000
0.069	Defrayed on sold properties	0.000
0.000	Set aside: capital receipts used	0.067
(9.583)	**Balance carried forward**	**(13.239)**

46. Deferred capital receipts

Deferred capital receipts are amounts derived from sales of assets which will be received in instalments over an agreed period of time.

2006/07 £m		2007/08 £m
(0.392)	Mortgages	(0.302)
(2.231)	Other deferred capital receipts	(1.788)
(2.623)	**Total**	**(2.090)**

47. Financial instruments

SORP 2007 requires local authority accounts to fully comply with FRS 25-Financial instruments: disclosure and presentation, FRS 26-Financial instruments: recognition and measurement and FRS 29-Financial instruments: disclosure. This has resulted in new accounting policies that are detailed in the statement of accounting policies.

Categories of financial liabilities and assets

The table below outlines the different categories of borrowing (liabilities) and investments (assets) that are disclosed on the face of the balance sheet.

2006/07 Long term £m	2006/07 Current £m		2007/08 Long term £m	2007/08 Current £m
15.000	44.074	Loans and receivables	20.000	71.180
		Available for sale financial assets		
1.531	0.000	Birmingham Airport Preference Shares	1.531	0.000
5.174	0.000	Birmingham Airport Ordinary Shares	5.174	0.000
21.705	**44.074**	**Total investments**	**26.705**	**71.180**
(247.869)	(0.287)	Financial liabilities at amortised cost	(263.409)	(0.342)
(247.869)	**(0.287)**	**Total borrowing**	**(263.409)**	**(0.342)**
(226.164)	**43.787**	**Total net borrowing**	**(236.704)**	**70.838**

In deciding the categories of financial instruments consideration was made of debtors and creditors to other organisations. It was agreed that these did fall under the classification of financial instruments. However it was decided that these would be declared as individual notes within the statements as has been the practice in previous years (Note 24 for debtors and Note 27 for creditors). They will have no effect on fair values as they are measured at cost.

Financial instrument gains and losses

The table overleaf shows the gains and losses due to financial instruments that have been recognised in the income and expenditure account and statement of total recognised gains and losses.

	Financial Liabilities: Liabilities measured at amortised cost		Financial Assets: Loans and Receivables		Financial Assets: Available-for-sale assets		Total	
	2006/07 £m	2007/08 £m	2006/07 £m	2007/08 £m	2006/07 £m	2007/08 £m	2006/07 £m	2007/08 £m
Interest expense	(10.565)	(11.994)	0.000	0.000	0.000	0.000	(10.565)	(11.994)
Interest payable and similar charges	**(10.565)**	**(11.994)**	**0.000**	**0.000**	**0.000**	**0.000**	**(10.565)**	**(11.994)**
Interest income	0.000	0.000	3.848	6.066	0.823	0.648	4.671	6.714
Interest and investment income	**0.000**	**0.000**	**3.848**	**6.066**	**0.823**	**0.648**	**4.671**	**6.714**
Net gain/(loss) for year	**(10.565)**	**(11.994)**	**3.848**	**6.066**	**0.823**	**0.648**	**(5.894)**	**(5.280)**

During 2007/08 no financial assets or financial liabilities were derecognised, incurred impairment losses or were revalued.

Fair value of financial assets and liabilities

For any financial liabilities that the council holds at amortised cost and loans and receivables (which are also held at amortised cost), there is a requirement to disclose the fair value of these financial instruments. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:

- Prevailing estimated interest rates at 31 March 2008 for loans from PWLB and other loans receivable and payable based on the time left remaining on the instrument.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

2006/07 Carrying Amount £m	2006/07 Fair Value £m		2007/08 Carrying Amount £m	2007/08 Fair Value £m
(97.282)	(97.282)	PWLB loans	(113.283)	(122.959)
(28.421)	(28.421)	Other Local Authority Debt	(27.865)	(27.865)
(0.166)	(0.166)	Individuals	(0.155)	(0.155)
(122.287)	(122.287)	Private sector loans	(122.448)	(136.979)
(248.156)	**(248.156)**	**Financial liabilities**	**(263.751)**	**(287.958)**
15.000	15.000	Long term investments	20.000	20.689
1.531	1.531	Birmingham Airport Preference Shares	1.531	1.531
5.174	5.174	Birmingham Airport Ordinary Shares	5.174	5.174
44.074	44.074	Short term investments	71.180	72.349
65.779	**65.779**	**Financial assets**	**97.885**	**99.743**

For financial liabilities the fair value is higher than the carrying amount because the council's loan portfolio includes a number of loans where the interest rate is lower than the rates available for similar loans at the balance sheet date. This commitment to pay interest below current market rates increases the amount the authority would have to pay if the lender requested or agreed to early repayment of the loans.

The Authority's ordinary shareholding investment in Birmingham Airport is shown in the accounts at cost, since there is no quoted market price in an active market and the fair value cannot be measured reliably. The latest share transaction in relation to Birmingham Airport occurred in September 2007, when Airport Group Investments Ltd (AGIL) purchased a 48.25% shareholding in Birmingham Airport for £420 million. Pro-rata this equates to £20.16 million for Walsall Council's 4.8% ordinary shareholding in the Airport. However this was a transaction pertaining to market conditions in September 2007 and for a 48.25% shareholding

Premiums and Discounts incurred through early redemption of borrowing

As part of the council's treasury management strategy over the years, a number of loans have been redeemed or rescheduled. Prior to SORP 2007 the council was able to amortise any premium or discount incurred due to this early redemption over the life of any replacement loan.

From 1 April 2007 SORP requires council's to account for these in line with FRS25 – financial instruments: presentation and disclosure, FRS26 – financial instruments: recognition and measurement, and FRS29 – financial instruments: disclosures. This means that any premium or discount that the council still has on its balance sheet needs to be written off to the income and expenditure account. As a result of the potential impact on council tax that this would have Government have introduced legislation, the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2007, that minimises the impact that the introduction of these financial standards have.

Councils are allowed to write back the premiums and discounts to the balance sheet through the statement of movement on the general fund balance. This has resulted in a new balance sheet account, the Financial Instruments Adjustment Account. Any premium can be amortised over the period of the replacement loan or the remaining term of the replaced loan whichever is the greater. Discounts can be amortised over the period of the replacement loan or 10 years whichever is the shorter.

The following table shows the effect of applying SORP to premiums and discounts within the income and expenditure account and the statement of movement on the general fund balance.

2006/07 £m		2007/08 £m
	Income and expenditure account	
(1.194)	Interest payable and similar charges	(3.407)
(1.194)		**(3.407)**
	Statement of movement on the general fund balance	
0.000	Amount debited/credited to the income and expenditure account recognised under statutory provisions relating to premiums and discounts on the early repayment of debt	2.735
(1.194)	**Net surplus / (deficit) to reserves**	**(0.672)**

The movements in balances for premiums and discounts contained within the Financial Instruments Adjustment Account are shown below.

2006/07 £m		2007/08 £m
(1.556)	Balance brought forward	(0.932)
0.000	Adjustment for new accounting requirements	(1.854)
1.263	Amortisation of discount	1.423
(0.639)	Amortisation of premiums	(0.569)
(0.932)	**Balance carried forward**	**(1.932)**

Nature and extent of risks arising from financial instruments

To manage risks associated with treasury management activities the council follows an approved set of Treasury Management policies and undertakes monitoring of prudential and local indicators in line with the prudential code. These are incorporated in the annual Treasury Management Strategy. The 2007/08 strategy was approved by council on 26 February 2007. A Treasury Management Panel has been established with a mandate to review all treasury management activities. Treasury Management advisors are employed to ensure the council has prompt access to relevant information advice. This is particularly important in relation to the credit ratings of other organisations

The risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

Credit risk

Credit risk arise from banks and financial institutions, as well as credit exposures to the council's customers. Deposits are only made with those banks and financial institutions which are on the council's lending list. This is reviewed on an annual basis and is based on independent credit ratings. The authority has a policy of lending out only up to £15m of its surplus balances to all A rated institutions, up to £5m to B institutions and up to £3m to the remainder of the top 40 building societies

The following table summarises the council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years.

	Amount at 31 March 2008 £m	Historical experience of default %	Estimated maximum exposure to default and uncollectability £m
Short term deposits with banks and institutions	71.175	0.000	0.000
Bonds	n/a	n/a	n/a
	71.175	**0.000**	**0.000**

No credit limits were exceeded during the reporting period.

The authority does not allow credit for customers and allowing 30 days for payments £5.9m is past its due date for payment. The past due balance can be analysed by age as follows:

2006/07 £m		2007/08 £m
3.093	One month to one year	2.604
0.641	One to two years	1.035
0.454	Two to three years	0.552
0.152	Three to four years	0.330
0.314	Four to five years	0.144
0.955	More than three years	1.224
5.609	**Total**	**5.889**

Liquidity risk

The council is able to raise funds from the Public Works Loan Fund. This means that the council has not got a significant risk that it would not be able to raise finance to meet its commitments under financial instruments. However the council does face a risk that it may have to replenish a significant proportion of its borrowing at a time when interest rates were unfavourable. To ensure that this does not happen careful monitoring and planning is carried out in line with the treasury management strategy of the maturity dates of the council's loan portfolio. To ensure that the targets are not breached careful planning of the taking of new loans and possible early repayment of existing loans takes place. This done by the Treasury team in conjunction with the Treasury Management Panel.

The table below outlines the maturity profile of the council's financial liabilities.

2006/07			2007/08	
PWLB £m	Other £m		PWLB £m	Other £m
0.000	0.300	Less than one year	0.000	0.472
0.000	0.024	Between one and two years	0.000	0.056
0.000	0.056	Between two and three years	0.000	0.029
0.000	0.029	Between three and four years	0.000	0.005
0.000	0.005	Between four and five years	0.000	0.029
97.281	150.461	More than five years	113.283	149.877
97.281	**150.875**	**Total**	**113.283**	**150.468**

All trade and other payables are due to be paid within one year.

Market risk

Interest rate risk

The council has minimised its risk to interest rate movements through the use of fixed rate investments both short and long term. In addition the council does not have any variable rate borrowing although there is a potential risk through our use of LOBO. These are Lender Option Borrower Option loans where after a fixed amount of time the lender has the option to vary the interest rate. If this happens the borrower has the option to terminate the loan agreement without any penalty. At present the council has £122m invested in these loan instruments. At 31 March 2008 the council had three bonds whereby the lender has the right to exercise the option to vary the rate or call for the loan to be repaid in 2008/09. However, it is felt that this is not likely to happen because the rate of the bond compares favourably with current interest rates. The option date profile for these loans is as follows:

2006/07 £m		2007/08 £m
5.000	Within one year	0.000
50.000	Between one and two years	15.000
15.000	Between two and three years	35.000
0.000	Between three and four years	20.000
15.000	Between four and five years	20.000
37.000	More than five years	32.000
122.000	**Total**	**122.000**

Although these actions have minimised the council's interest rate risk, the council would still be impacted by any movement in interest rates. As an example a rise in interest rates would have the following effects on the council.

- Borrowings at a fixed rate – the fair value of the borrowings would fall
- Investments at a fixed rate – the fair value of the investments would fall

Our borrowings are not carried at fair value so any nominal gains or losses in fair value on fixed rate borrowings would not have an impact on either the income and expenditure account or the statement of movement on the general fund balance. This also applies to our fixed rate investments. As such the notional effect on borrowing and investments if interest rates had been 1% higher on 31 March 2008 would be:

- Notional decrease in fair value of fixed rate investment assets
- Notional decrease in fair value of borrowings

The impact of a 1% fall in interest rates would be as above but with the movements reversed.

Price Risk

The council does not normally invest in equity shares. However the council does hold both preference and ordinary shares in Birmingham Airport Holdings Limited to the value of £6.705m (ordinary shares of £5.174m and preference shares of £1.531m). As such the council is subject to any losses arising from movements in the price of these shares. The council obtained these shares as a result of the privatisation of Birmingham Airport on 4 February 1997.

These shares are classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in the statement of total recognised gains and losses. A general shift of 1% in the general price of shares (positive or negative) would thus have resulted in a £0.067m gain or loss being recognised in the STRGL for 2007/08

Foreign exchange risk

The council has no financial assets or liabilities denominated in foreign currency. As such the council is not exposed to any risk from movements in exchange rates.

48. Events after the balance sheet date

Following a robust procurement process the council has entered into a 12 year contract with Serco to provide education services within Walsall which commenced on 1 August 2008. Walsall Council has successfully partnered with Serco in respect of education services since 2001.

The Council has entered into a Public Private Partnership (PPP) with Housing 21. The contract covers 30 years with the land being provided to Housing 21 on a 125 year lease, at the end of the contract the land reverts back to the Council.

The scheme will provide 285 extra care units of which 70 are shared ownership and 10 are respite care. There will also be a 40 bed dementia care unit at Goscote and 26 intermediate care beds at Rushalll Mews. There is also an additional provision for increased day care to include weekend access to services.

The table below gives the expected charge to the council and assumes retail price index (RPI) at 2.5% per annum.

Year	Total £m
2008/09	6.115
2009/10	6.457
2010/11	8.616
2011/12 - 2037/08	8.489 per annum plus RPI

Section 6
Additional financial statements

Collection Fund

1. Income and expenditure account

2006/07 £m		2007/08 £m	Note
	Income		
(58.611)	Income collectable from business ratepayers	(60.571)	3
(79.593)	Income from council tax	(83.449)	5
(22.751)	Benefits	(22.395)	5
(160.955)	**Total income**	**(166.415)**	
	Expenditure		
	Precepts and demands		
91.327	Walsall Metropolitan Borough Council	95.246	6
6.662	Police	6.987	6
3.286	Fire and Civil Defence	3.394	6
101.275		**105.627**	
	Business rates		
58.239	Payment to national pool	60.205	3
0.372	Cost of collection	0.366	3
	Bad and doubtful debts		
1.062	Write-offs	0.198	
0.148	Provisions	0.651	
161.096	**Total expenditure**	**167.047**	
0.141	**(Surplus)/deficit for year**	**0.632**	
(0.638)	(Surplus)/deficit brought forward	(0.945)	
0.052	Transfer to precepting authorities	0.005	2
(0.500)	Transfer to general fund - prior years surplus/(deficit)	0.669	2
(0.945)	**Collection fund balance carried forward**	**0.361**	**2**

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. Collection fund balance sheet

2006/07 £m		2007/08 £m
	Community charge	
(0.002)	(Surplus)/deficit brought forward	0.000
(0.003)	(Surplus)/deficit for year	0.000
0.005	Amount used to support council tax	0.000
0.000	**(Surplus)/deficit carried forward**	**0.000**
	Council tax	
(0.636)	(Surplus)/deficit brought forward	(0.945)
0.139	(Surplus)/deficit for year	0.632
0.052	Transfer to precepting authorities	0.005
(0.500)	Transfer to general fund - prior years surplus/(deficit)	0.669
(0.945)	**(Surplus)/deficit carried forward**	**0.361**
(0.945)	**Total collection fund balance**	**0.361**
	Appropriation of collection fund balance	
(0.914)	Walsall council	0.325
(0.021)	Police	0.024
(0.010)	Fire and civil defence	0.012
(0.945)	**Total**	**0.361**

3. Income from business rates

Income collectable

Under the arrangements for uniform business rates, the council collected non-domestic rates for the Walsall 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 2008 was £165.955 million (£166.035 million 2006/07). The total amount, less certain relief and other deductions, is paid to 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:

2006/07 £m		2007/08 £m
	Gross amount payable to the NNDR pool	
(70.929)	Non-domestic rates	(71.220)
	(Add)/deduct	
0.034	Transitional relief	(0.306)
	Less	
1.253	Bad debts written off / Provision for bad debts	0.402
11.031	Allowances and other adjustments	10.553
(58.611)	**Income from business ratepayers**	**(60.571)**
0.372	Less costs of collection allowance	0.366
(58.239)	**Net income to pool**	**(60.205)**

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 2007/08 the multiplier is £0.444 (£0.433 in 2006/07). The small business multiplier is £0.441 (£0.426 in 2006/07).

4. Calculation of tax base

The council tax base represents the number of properties in the borough expressed as band D properties assuming a 98.5% collection rate. The council tax base for 2007/08 was as follows:

Band	Weighting	Number of dwellings on valuation list	Discounted value for council tax purposes	Band D equivalent
A	6/9	49,356	41,948	27,539
B	7/9	24,668	22,082	16,917
C	8/9	16,540	15,090	13,212
D	1	9,519	8,834	8,701
E	11/9	5,294	4,911	5,912
F	13/9	2,216	2,077	2,956
G	15/9	722	661	1,085
H	18/9	53	33	66
		108,368	**95,636**	**76,388**

5. Income due from council tax

The council set a council tax of £1,382.77 (£1,330.90 2006/07), including precepts for the Police Authority and the Fire and Civil Defence Authority based upon a tax base of 76,388 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:

2006/07 £m		2007/08 £m
102.344	Gross council tax due (Adjusted for changes in banding)	105.844
(22.751)	Less benefit awarded	(22.395)
79.593	**Total**	**83.449**

6. Organisations which make a precept or demand on the collection fund

The precepts and demands are those payments requested by public authorities at the beginning of the year to fund their net budgets.

2006/07 £m		2007/08 £m
91.327	Walsall Metropolitan Borough Council	95.246
6.662	Police	6.987
3.286	Fire and civil defence	3.394
101.275	**Total**	**105.627**

Trust and scholarship accounts

These accounts relate to gifts and bequests made to, held or administered by the council.

The capitals sums have been invested in statutory securities and in the case of most funds administered by Children, ICT and Procurement Services (CIPS) and Corporate Services. The interest is used to provide grants and prizes. The council currently administers 5 trusts:

- S W Tame Fund for the purposes of prizes at Joseph Leckie School
- Joseph Leckie Memorial Fund for the provision of scholarships
- Joseph Leckie Trust for the provision of scholarships
- Walsall Agricultural Fund for the provision of a prize fund
- Barr Beacon Trust for the provision and maintenance of open spaces

During 2007/08 Joseph Leckie transferred its assets and liabilities to an external charity, W F Croft.

1. Income and expenditure account

	Expenditure	Income	Net expenditure	
			2007/08	2006/07
	£	£	£	£
CIPS				
S W Tame	0	(32)	(32)	(27)
Joseph Leckie Memorial	0	(1,637)	(1,637)	(1,366)
Joseph Leckie Trust	787	0	787	21,642
Barr Beacon Trust	1,526	(17,302)	(15,776)	(14,175)
Corporate services				
Walsall Agricultural Fund	0	(37)	(37)	(33)
Total	**2,313**	**(19,008)**	**(16,695)**	**6,041**

2. Valuation of trust fund assets

Assets comprise local authority and central Government bonds and cash balances.

	Capital Portion	Revenue Accumu-lation	Revaluation Reserve	Total		Market value	
				2007/08	2006/07	2007/08	2006/07
				£	£	£	£
CIPS							
S W Tame	55	454	0	509	477	513	481
Joseph Leckie Memorial	1,518	24,497	0	26,015	24,378	26,015	24,378
Joseph Leckie Trust	0	0	0	0	787	0	787
Barr Beacon Trust	0	303,240	1	303,241	287,465	303,240	287,464
				0			
Corporate services				0			
Walsall Agricultural Fund	330	341	0	671	634	671	634
				0			
Total	**1,903**	**328,532**	**1**	**330,436**	**313,741**	**330,439**	**313,744**

Monies for residents in council care homes

The residents' personal monies, shown in the following table, are held in trust by social care on behalf of residents' in its homes.

2006/07 £		2007/08 £
730,729	Balance at 1 April	802,775
72,046	Net deposits/(withdrawals) in year	258,664
802,775	**Total**	**1,061,439**

3. Trusts balance sheet

2006/07 £	2006/07 Restatement £		2007/08 £
0	1	Land	1
977,360	977,360	Investment trust fund	1,236,024
-787	-787	Creditors	0
130	130	Debtors	143
138,238	138,238	Cash	155,707
1,114,941	**1,114,942**		**1,391,875**
1,113,038	1,113,038	Revenue fund balances	1,389,971
1,903	1,903	Capital account	1,903
0	1	Revaluation reserve	1
1,114,941	**1,114,942**		**1,391,875**

Section 7
Statement of accounting policies

1. General Principles

The statement of accounts summarises the council's transactions for the 2007/08 financial year and its position at the year end of 31 March 2008.

It has been prepared in accordance with the Code of on Local Authority Accounting in the United Kingdom 2007 – A Statement of Recommended Practice (the SORP), including applicable Statement of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS).

The accounting conventions adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2. Accruals of Income and Expenditure

The revenue accounts of the council are maintained on an accruals basis in accordance with SORP and FRS18 (Accounting Policies). In particular:

- Fees, charges and rents are accounted for as income at the date the council provides the relevant goods or service.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the supply date and when the supplies are used, they are carried as stock on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income & expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

3. Provisions

Provisions are required for any liabilities of uncertain timing or amount that have been incurred.

Provisions are required to be recognised when:

(i) the local authority has a present obligation (legal or constructive) as a result of a past event
(ii) it is probable that a transfer of economic benefits will be required to settle the obligation, and
(iii) a reliable estimate can be made of the amount of the obligation.

A transfer of economic benefits or other event is regarded as probable if the event is more likely than not to occur. If these conditions are not met, no provision is recognised.

The obligation can be 'constructive' (e.g. the authority has publicly expressed an intention to do something, and other parties have acted in expectation of this).

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (eg from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

The treatment outlined above is in line with FRS12 (Provisions, contingent liabilities and contingent assets).

4. Bad Debt Provision

The authority maintains bad debt provisions for any potential non payment of debtors. At present the authority has the following bad debt provisions:

- Sundry Debtors
- Non sundry debtors
- Collection Fund

Each of the bad debt provisions is calculated using an estimation of what percentage of debt will be repaid on a year by year basis. The percentages are reviewed each year and based on past collection rates.

5. Contingent liabilities and assets

Contingent liabilities are not recognised in the Statement of Accounts but are disclosed within the notes if there is a possible obligation that may require a payment or transfer of economic benefits.

Contingent assets are not recognised in the Statement of Accounts but are disclosed within the notes if the inflow of a receipt or economic benefit is probable.

Both of these policies are in line with FRS12 (Provisions, contingent liabilities and contingent assets).

6. Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement n the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure. The reserves held by the authority are:

Revenue reserves

- General Fund reserve
- Collection Fund reserve
- Earmarked reserves

Capital reserves

- Capital adjustment account
- Revaluation reserve
- Financial Instruments adjustment account
- Available-for-sale financial instrument reserve
- Deferred capital receipts
- Useable capital receipts reserve
- Pensions reserve

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the council – these reserves are explained in the relevant policies below.

7. Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (eg Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

8. Retirement Benefits

Employees of the council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF)

- The Local Government Pensions Scheme, administered by Wolverhampton City Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the education service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.

The Local Government Pension Scheme

The local government scheme is accounted for as a defined benefits scheme as per FRS17 (Retirement benefits) and SORP:

- The liabilities of the West Midlands Metropolitan Authorities Pension Fund attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 6.1% (based on the weighted average of spot yields on AA rated corporate bonds).

- The assets of the West Midlands Superannuation pension fund attributable to the council are included in the Balance Sheet at their fair value:

    - quoted securities - mid-market value
    - unquoted securities - professional estimate
    - unitised securities - average of the bid and offer rates
    - property - market value

- The change in the net pensions liability is analysed into seven components:

    - Current service cost – the increase in liabilities as result of years service earned this year – allocated in the Income and Expenditure Account to the revenue account of services for which the employees worked.
    - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years service earned in earlier years – debited to the Net Operating Expenditure in the Income and Expenditure Account as part of Non Distributed Costs.
    - Interest cost – the expected increase in he present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account.
    - Expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Net Opening Expenditure in the Income and Expenditure Account.
    - Gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
    - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses.
    - Contributions paid to the West Midlands Metropolitan Authorities Pension Fund – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the council to raising council tax to cover the amounts payable by the council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the awards and accounted for using the same policies as are applied to the Local Government Pension Scheme.

9. VAT

Income and expenditure excludes any amounts related to VAT as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it.

VAT however should be included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

10. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the council (eg software licences) is capitalised when it will bring benefits to the council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

11. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of assets (eg repairs and maintenance) is charged to revenue as it is incurred.

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- Land and buildings, vehicles, plant and equipment – lower of net replacement cost or net realisable value in existing use
- Infrastructure assets and community assets – depreciated historic cost

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value
- Specialised operational properties – depreciated replacement cost
- Investment properties and surplus assets – market value

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains may be credited to the Income and Expenditure Account where they arise from the reversal of an revaluation loss previously charged to a service revenue account.)

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value.

Where on revaluation there has been a decrease over the previous carrying amount an impairment loss has occurred. It should be considered whether the loss has been caused by clear consumption of economic benefits and any such loss should be recognised in the Income and Expenditure Account. The amount of the decrease in value not associated with a clear consumption of economic benefit should be recognised in the Statement of Total Recognised Gains and Losses until the asset's carrying amount reaches its depreciated historical cost and taken to the Revaluation Reserve; and thereafter in the Income and Expenditure Account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (ie netted off against the carrying value of asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to mortgages given to former tenants who purchased their properties under the Right to Buy scheme (75%) is payable to the Government. The balance of the receipts is required to be credited to the Useable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangement for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

Depreciation

Depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the life of the property as estimated by the valuer (usually 10 to 80 years)
- Vehicles, plant and equipment – straight line allocation over the life of the property as estimated by the valuer (usually 5 to 10 years)
- Infrastructure - straight line allocation over 25 to 35 years
- Community assets – are assets that the authority intends to hold in perpetuity, that have no determinable useful life, and may have restrictions on their disposal. As such these are held at their historic cost and incur no depreciation.

Where an asset has major components with different estimated useful lives, these are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Grants and contributions

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

12. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service

- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other loses where there are no accumulated gains in the Revaluation Reserve against which they can be written off

- Amortisation of intangible fixed assets attributable to the service

The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue, known as the minimum revenue provision, to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement). Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjustment transaction with the Capital Adjustment Account for the difference between the two.

13. Deferred Charges

Deferred charges are created when capital expenditure has been incurred but does not result in the creation of a tangible fixed asset. The purpose of this is to enable it to be funded from capital resources rather than to have an impact on that year's council tax. Expenditure that can be classed as deferred charges is defined by the SORP, Local Government Act 2003 and associated capital financing regulations. They include grants to other persons (such as housing renovation grants and disabled facilities grants) and bodies for capital expenditure purposes, and amounts (including provisions for back-pay under the pay-review) that the Secretary of State has given direction should be capitalised.

The SORP requires the authority to amortise the charge over an appropriate period consistent with the consumption of economic benefits controlled by the authority. The authority's policy is to write out the entire expenditure to the Income and Expenditure Account in the year it takes place. To ensure that no impact is made on council tax, this expenditure is then reversed out through the Statement of Movement on General Fund Balances by a transfer to the Capital Adjustment Account.

14. Leases

Finance Leases

The council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the council in line with SSAP21 (Accounting for leases and hire purchase contracts).

Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and
- A finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent become payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

15. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Code of Practice 2007 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation.

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account as part of Net Cost of Services.

16. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principle repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. For discounts receivable, Local Authorities (Capital Financing and Accounting) (Amendment)(England) Regulations 2007 (SI 2007/573) limit this to a maximum of 10 years. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

The treatment outlined above is in line with the SORP and FRS25 (Financial instruments: disclosure and presentation), FRS26 (Financial instruments: recognition and measurement) and FRS29 (Financial instruments: disclosures).

For stepped rate loans (i.e. LOBO's – Lender Option Borrower Option loans) taken prior to 9 November 2007, Walsall Council has applied regulation 30E of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 SI2008/414. This allows local authorities to continue with their established method of calculating interest on these loans prior to the introduction of SORP 2007; either charging just the interest or creating a provision to enable the smoothing of interest over a defined period set by the authority. Walsall's method, in line with the above regulation, is to charge the interest paid in year with an adjustment to smooth the interest up to the first option date where the new interest rate is unknown

17. Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance

Sheet is the outstanding principle receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because a likelihood arising from a past event that payments due under the contract will not be made, the asset us written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on derecognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Income and Expenditure Account when it becomes receivable by the council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instrument with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been occurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

The treatment outlined above is in line with the SORP and FRS25 (Financial instruments: disclosure and presentation), FRS26 (Financial instruments: recognition and measurement) and FRS29 (Financial instruments: disclosures).

18. Stocks and Work in Progress

Stocks are included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

19. Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. Payments made by the council under a contract are charged to revenue to reflect the value of services received in each financial year in line with FRS5 (Reporting the substance of transactions).

20. Events after the balance sheet date

These are events that have happened after the balance sheet date, 31 March 2008. 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 adjusted any effected notes 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).

21. Group Accounts

SORP 2007 requires local authorities to examine their relationships with other organisations. This is with a view to checking whether the council needs to prepare group accounts because of another organisation being classified as a subsidiary or associate. The method for determining this is laid out in the SORP which the authority follows.

22. Landfill Allowance Trading Scheme (LATS)

In 2005/06 the Landfill Allowances Trading Scheme was introduced. Under this scheme local authorities are given an allowance of tonnes of refuse that may be disposed of by landfill. Disposal in excess of this incurs a financial penalty payable to the Department for Rural Affairs (DEFRA). Alternatively allowances may be purchased from other local authorities who do not plan to use all of the allowances made available.

The Council did not trade any allowances in 2007/08 but has recognised the value of the assets and liabilities. The 2007/08, 2006/07 and 2005/06 LATS allowances have been recognised on the balance sheet as an intangible current asset, offset by the current liability to DEFRA for landfill usage. The current liability has been classified as a provision following the SORP, FRS12 (Provisions, contingent liabilities and contingent assets) and the proposed UITF Abstract Emission Rights.

The LATS income has been credited to the Income and Expenditure Account and the value of spare allowances moved to an earmarked reserve.

All allowances and liabilities are re-valued each year at the lower of cost or net realisable value.

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.

AGS: Annual governance statement

Amortised: reducing the value of a deferred charge in an accounting period. The reduction in value transferred from the balance sheet to the income and expenditure account.

Appropriations: transferring of an amount between specific reserves in the income and expenditure account.

Asset: something of value which is measurable in monetary terms owned by the council and is convertible to cash..

Audit Commission: statutory body which overseas 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 its 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 Adjustment Account: financing of capital expenditure passes through this account.

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.

CIPFF: Corporate integrated planning and performance framework

CMT: Council management team – the most senior management team within the council.

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.

CPA: Comprehensive Performance Assessment

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: assets which are easily converted to cash e.g. stock and debtors.

Current liabilities: liabilities which are easily converted to cash e.g. creditors

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.

DCSF: Department for Children, Schools and Families – responsible for Government policy and advice in connection with education and the social welfare of children and families.

DDA: Disability Discrimination Act

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 government grants: government grants for capital items which are written down over the life of the asset.

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.

Diocese: an administrative territorial unit administered by a bishop i.e. Bishop of Lichfield.

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.

ED: Executive Director

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.

Financial instrument: Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

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.

HR: Human Resources

I

ICT: Information and communication technology

Impairment: Downward revaluation due to the consumption of economic benefits

Income and expenditure account (I&E): reports the net cost of the council for the year and details how this has been financed.

Income: amounts due to the council in respect of services performed, taxes levied or grants receivable during the accounting period, irrespective or 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.

I-proc: The councils electronic procurement system

IT: Information technology

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 lenders 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-added value: Capital expenditure that does not create a pound for pound increase in the value of an 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

O/C bonds: On call bonds

OLA: Other local authority

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

PFI: Private finance initiative

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. The prior period adjustments are allowed for comparative purposes under FRS28.

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 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.

Revaluation: The increase or decrease in an assets value following valuation by a suitably qualified person.

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

SOLACE: Society of local authority chief executives

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.

Statement of movement on the general fund balance (SMGFB): This statement shows items of income and expenditure that are defined by legislation, as being required in calculating the council tax requirement, but under UKGAAP can not be included in the income and expenditure account.

Statement of total recognised gains and losses (STRGL): This statement reports gains and losses that are not reflected in the income and expenditure account. It includes movements on revaluations of fixed assets and pension fund assets and liabilities.

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

tPCT: Teaching Primary Care Trust.

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.

UKGAAP: United Kingdom Generally Accepted Accounting Practices. Accounting regulations adhered to in the UK.

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.

Section 9
Contact details and sources of information

Enquiries or comments about this publication should be made to:

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This statement is available online from the Walsall Council website www.walsall.gov.uk. Paper copies are also available from the above address.

Further information about the Police, Fire and Transport Authority finances can be obtained at the following addresses:

Centro
16 Summer Lane
Birmingham
West Midlands
B19 3SD
Website: www.centro.org.uk

The Treasurer to the Police Authority
Finance department
Lloyd House
Colmore Circus
Queensway
Birmingham B4 6NQ
Website: www.west-midlands.police.uk

The Treasurer
West Midlands Fire and Civil Defence Authority
Council House
Oldbury
Warley
West Midlands B69 3DE
Website: www.wmfs.net

Information on the West Midlands Authorities Pension Fund can be obtained from the following address:

West Midlands Pension Fund
PO Box 3948
Wolverhampton
West Midlands
WV1 1XP
Website: www.westmids-pensions.org.uk

Information about Birmingham Airport can be obtained from the following:

Birmingham Airport Holdings Ltd
Birmingham International Airport
Birmingham
B26 3QJ
Website: www.bhx.co.uk