Financial Report for 2018/19

Containing the council's Statement of Accounts and Annual Governance Statement

Walsall Council

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Preface

Introduction to the 2018/19 Statement of Accounts

2018/19 has been another challenging financial year, but again there is much to be proud of. Wisemore Central, a £9 million town centre hotel restaurant and retail development, funded in part by a £6.9 million loan from the West Midlands Combined Authority is nearing completion. To support further town centre development consultants have also been appointed to provide a masterplan to regenerate Walsall town centre, which will offer a bold, inspirational and deliverable vision for a sustainable and resilient town over the next 20 years.

The 18 hectare Phoenix 10 site, part of the Black Country Enterprise Zone and the boroughs largest employment opportunity capable of delivering 620,000 sq ft of employment use and around 1,100 jobs, has seen the procurement of a developer and work is due to start soon following an investment deal between Walsall Council, the West Midlands Combined Authority, Homes England, the Black Country Local Enterprise Partnership and Henry Boot Developments.

A public consultation has also been launched regarding the proposed re-opening of the Walsall to Wolverhampton rail line, with new stations planned at Willenhall and Darlaston, and work has continued in partnership with Highways England to issue the statutory orders required to obtain the powers required to carry out the planned upgrade of M6 Junction 10, with works due to start during 2019/20. These schemes will further help unlock land for industry and housing in the Black Country Enterprise Zone sites.

The financial challenges that face Local Authorities have been well documented. However, it is only now, that the chronic underfunding of social care, which the public sector has been raising for many years, is getting wider media attention. In Walsall, the costs of social care have been well managed during the year and it is reassuring to see that the hard work over a number of years is beginning to pay dividends as the service improves its performance whilst remaining within its budget. Looking ahead the fragility of the care market is of concern and will need to be carefully monitored.

Financial performance for the year has been solid. Revenue outturn for services was £0.404 million under. Our balance sheet has increased by c.£23 million; the ratio of long-term borrowing to long-term assets is down slightly from 2.34 to 2.05 mainly linked to an increase in Long term borrowing (c.£290 million) from previous years to help finance the councils capital investment and, given the continued uncertainty around the impact of Brexit, to ensure that there are sufficient measures in place to manage any potential impact on increased interest rates for long term borrowing.

The authorities treasury management activity has continued to deliver robust outcomes with average interest rates payable on loans being 3.69%, which was below the target rate of 3.76%. Short term investments ended the year at c.£121 million, sufficient for our capital projects and earmarked reserves. The average investment income rate of 1.08% exceed the target rate for the year by 38 basis points.

Looking forward to 2019/20 the council is awaiting the outcome of the next Comprehensive Spending Review and the review of future models of Business Rate retention, both of which will potentially have a significant impact on the financial resources available to local authorities over the medium term.

The Walsall Proud Programme, which was officially launched during 2018/19, should help us to be better placed to respond to this, with significant investment aimed at delivering a better customer experience, better staff engagement and ultimately reducing costs. This is also supported by major investment in IT to ensure the council is fit for the digital age and can continue to deliver services which we will be proud of.

James T. Walsh B.Hum (Hons) ACMA CGMA
Executive Director – Resources and Transformation (Section 151 Officer)
22 July 2019

Narrative Report

1. Introduction

These accounts set out the financial results of Walsall Council's activities for the year ending 31 March 2019. The council manages its affairs to ensure the economic, efficient and effective use of resources, the safeguarding of its assets and to ensure the financial resilience and stability of the organisation into the future. This is vital if the council is to continue to play a leading role in the life of Walsall's residents and provide high quality services for their benefit. The task is shared by all members and officers under the leadership of the Executive and Corporate Management Team. The Section 151 Officer has a particular role in ensuring financial stewardship.

This statement of accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting based on International Financial Reporting Standards (IFRS) (the Code) which requires that the accounts present a true and fair view of the financial position of the council. Suitable accounting policies have been employed and applied consistently. Where necessary, 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, give an overview of the council and the council's financial and non-financial performance, and the pressures, risks and opportunities that may impact future performance.

2. An introduction to Walsall

Walsall Council is a local government district in the West Midlands, England, with the status of a metropolitan borough. It is bounded to the west by the City of Wolverhampton, the south by the Metropolitan Borough of Sandwell, to the south east by the City of Birmingham, and by the Staffordshire districts of Lichfield, Cannock Chase and South Staffordshire to the east, north and northwest respectively.

It is named after its largest settlement, Walsall, formerly known as the 'town of a hundred trades' and was notable, and is still renowned, for its leather heritage and industry. The borough also consists of five additional district centres: Aldridge, Brownhills, Bloxwich, Darlaston and Willenhall; and is densely populated, especially the west of the borough. The borough also benefits from extensive countryside particularly towards the east, including greenspace such as Barr Beacon, Pelsall and Brownhill Commons; and urban parks, notably Walsall Arboretum, Willenhall Memorial Park, Palfrey Park, Kings Hill Park, George Rose Park and Shelfield Park.

Walsall has a proud industrial heritage but, along with many towns and cities, the industries on which the wealth of the area was built have now declined. Regeneration, both in terms of employment opportunities and physical redevelopment, is recognised as being very important to the future prosperity of the borough and is a key priority of the council.

Walsall's diversity of places, population and communities contributes to the borough's vibrancy and is often what people celebrate about Walsall. This does mean however that no two places are the same and the borough's distinct communities face differing issues and challenges.

Population

Based on the last census in 2011 and other data from the Office of National Statistics, the information below provides a snapshot of the current make-up of the population of Walsall.

- Walsall has an estimated resident population of 281,293 split 49.2% male and 50.8% female.
- The number of residents in the borough has increased over the past decade, reversing the periods of population decline seen through the 1980s and 90s.
- In comparison to England, Walsall has a lower proportion of working age people and more children and older people.

3. Key information about Walsall Council

Walsall Council is a multifunctional and complex organisation. Its policies are directed by the political leadership and implemented by the Corporate Management Team and officers of the council. The following section describes the political and management structures of the council, the political ethos driving the policy agenda and the means by which these are implemented and managed.

Council structure

Walsall has 20 wards and the Council consists of 60 councillors (3 per ward).

The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The Leader of the Council has responsibility for the appointment of members of the Cabinet and the allocation of portfolios. Cabinet members are held to account by a system of scrutiny which is also set out in the council's constitution.

Management structure

Supporting the work of councillors is the organisational structure of the council headed by the Corporate Management Team, led by the Chief Executive, Dr Helen Paterson.

Reporting directly to the Chief Executive in Walsall are four executive directors who make up the Corporate Management Team.

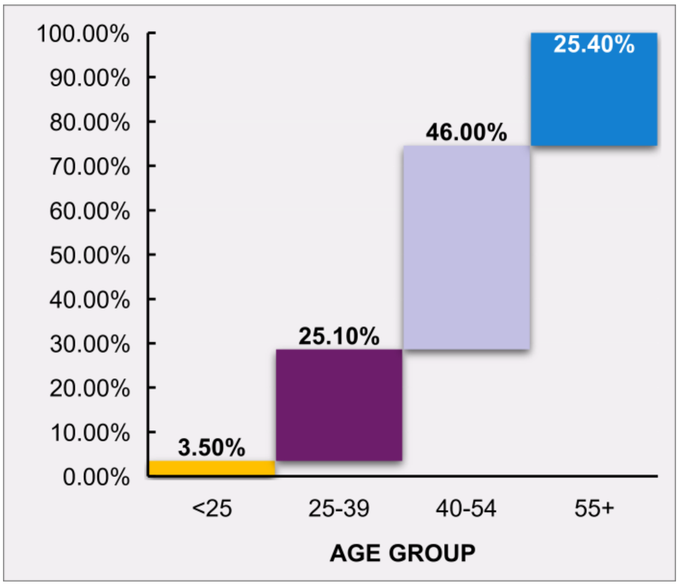
- Children's Services, Executive Director - Sally Rowe
- Economy and Environment, Executive Director - Simon Neilson
- Resources and Transformation, Executive Director – James Walsh
- Adult Social Care, Executive Director - Paula Furnival

The role of the Corporate Management Team is:

- To provide visible officer leadership to ensure that the council's vision and corporate objectives are delivered.
- To ensure that the council acts as one organisation to identify and take opportunities; to work effectively internally and also in collaboration with key partners.
- To promote and ensure high standards in respect of customer service, people management, corporate governance, performance management, financial management and control, risk management and change management.
- To prioritise management action and allocate resources accordingly.
- To provide high quality and timely advice to councillors.

Council officers

As at 31 March 2018 the council employed 3,223 people (3,428 as at 31 March 2017) excluding school based employees, of which 1,012 were male (1,057 as at 31 March 2017) and 2,221 were female (2,371 as at 31 March 2017). The graph below represents the age breakdown of the council's workforce. It shows that 46% of council's workforce is between 40 and 55, a 2% decrease compared to the previous year. A further 25% are aged 55+ which represents a 1% increase to the previous year.



Age breakdown of Walsall Council's workforce

At the time of writing there is no comparative data available as at 31 March 2019.

4. Corporate plan

The Corporate Plan 2018-21 sets out, at a high level, the vision, purpose and priorities that the council believe will help to improve lives and life chances for the residents of Walsall over the next four years.

Our Vision

Inequalities are reduced and all potential is maximised

We must always work to ensure that public money is targeted to where it is most needed and used in the most efficient way possible.

We are led by the communities we serve who help shape the services we provide and we help those communities to make a positive difference to their own lives through active civic engagement and co-operation.

Our purpose

To create an environment that provides opportunities for all individuals and communities to fulfil their potential

As a local authority Walsall Council has a statutory duty to deliver specific services within the borough boundaries for all people and communities in Walsall. This duty includes a huge range of services from services to vulnerable adults and children to planning applications and from the collection of waste to the collection of council tax and non-domestic rates.

Walsall Council also delivers non-statutory services that are key to the future sustainability and indeed prosperity of the borough, including the active development of its economy, infrastructure and land for employment and housing.

These activities are delivered in the service of and by working with individuals, communities and businesses in the support of the most vulnerable and to create and sustain an environment that provides opportunities for all individuals and communities to fulfil their potential.

This drives our purpose and everything the council does is in the service of the people and communities of Walsall. It is more important than ever that we have a clear purpose driving the way the council works and what the council delivers. This clarity of purpose enables tough decisions about service delivery to be made.

Our priorities

5. The council's 2018/19 financial performance

Council expenditure is divided into two broad categories: revenue and capital. Revenue expenditure relates to day to day spending on items such as salaries and wages, purchase of minor 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

The Comprehensive Spending Review and subsequent local government settlements has seen a considerable reduction in local government funding from central government.

Alongside reductions in funding, the council has managed a number of pressures; including the ongoing demands on adult social care services and from increased numbers of looked after children, amongst others, putting increasing additional strain on the council's finances.

In the financial year ended 31 March 2019, the council saw a net cost of services of £258.515 million (comprising £406.252 million gross income and £664.767 million gross expenditure). In addition to this the council also received other taxation and non-specific grant income of £288.019 million, other operating expenditure of £10.964 million and financing and investment income and expenditure of £33.489 million. This resulted in a deficit on the provision of services of £14.949 million.

Overall the Comprehensive Income and Expenditure Statement (CIES) shows a surplus of £23.254 million for the year. This represents the deficit of £14.949 million on the provision of services, adjusted for other movements in reserves that under accounting regulations do not get charged to the provision of services including a revaluation gain in non-current assets of £2.827 million and re-measurement of pension fund assets and liabilities of £40.328 million. This amount can be reconciled to the movement on net assets between 2017/18 and 2018/19 on the Balance Sheet.

The cost of provision of services shows a deficit of £14.949 million, however general reserves have increased by £0.443 million. This is a result of the council making statutory adjustments of £15.629 million for items such as depreciation, impairments of fixed assets and entries in relation to pension costs (these adjustments are required by regulation otherwise council tax levels would need to be raised to cover such accounting costs) and setting aside earmarked reserves for specific future use of £0.512 million (see note 7, page 53). There was also a £0.275 million adjustment for investment properties (see note 23 page 72).

The following table sets out the budgeted and actual movement in the general fund reserve:

	Budget £m	Actual £m	Variance £m	Note
Opening general fund balance	(15.226)	(15.226)	0.000	7
Use of general fund balances in year	0.000	0.069	0.069	7
Transfers to/from earmarked reserves	(0.039)	(0.512)	(0.473)	7
Closing general fund balance	**(15.265)**	**(15.669)**	**(0.404)**	**7**

The council had budgeted for a net in-year replenishment of general reserves of £0.039 million. This comprised of a budget replenishment of earmarked reserves of £7.401 million (see Council budget report 28 February 2018) and release of £7.440 million from earmarked reserves. Actual general reserves have moved from an opening position of £15.226 million to a closing position of £15.669

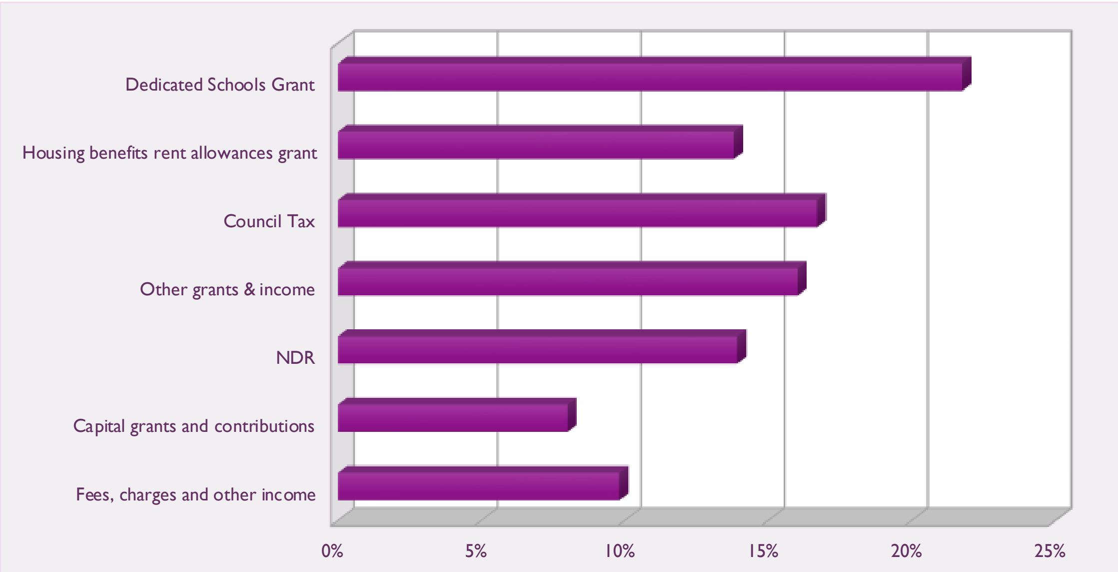
million as at 31 March 2019 as a result of a net surplus of £0.168 million and an adjustment of £0.275 million related to reclassification of investment properties. These movements can be seen within the Movement in Reserves Statement on page 30. This has therefore resulted in an under spend against budget for the council of £0.404 million.

Material movements in the CIES

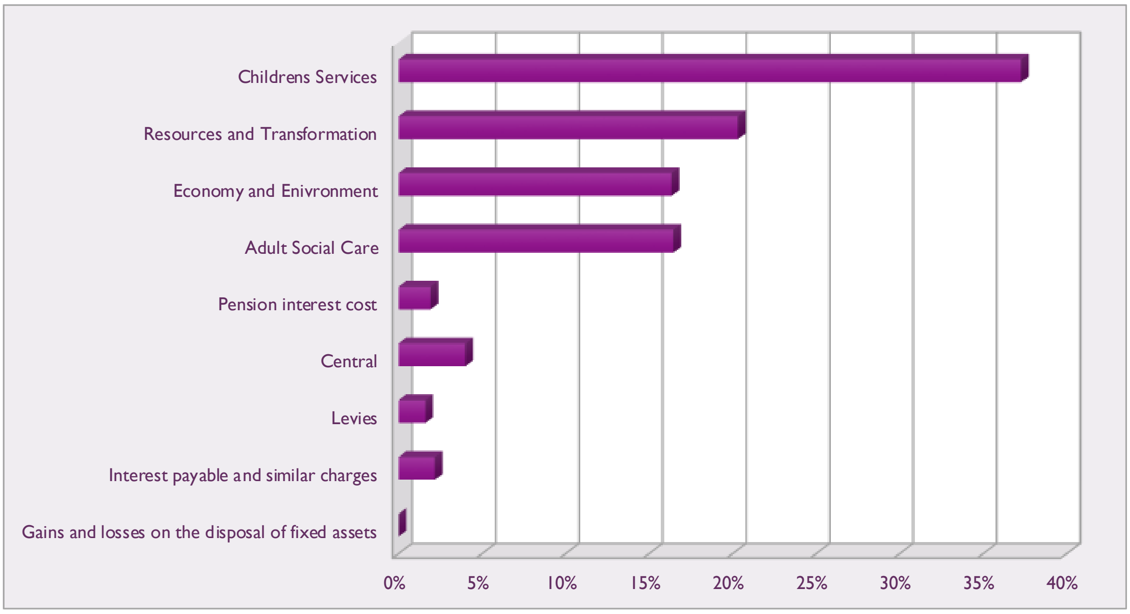
Capital grants used to finance revenue expenditure funded from capital under statute have decreased by approximately £20 million mainly as a result of a reduction in growth deal grant in 2018/19 compared to 2017/18.

The re-measurement gain on the pension fund of approximately £40 million represents a significant change in the funding status of the pension fund following a re-measurement gain in 2017/18 of approximately £58 million. The main change relates to gains arising from a change in demographic assumptions. The council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation (note 14 page 58).

The following graph shows the sources of income received by the council within the CIES on page 28.



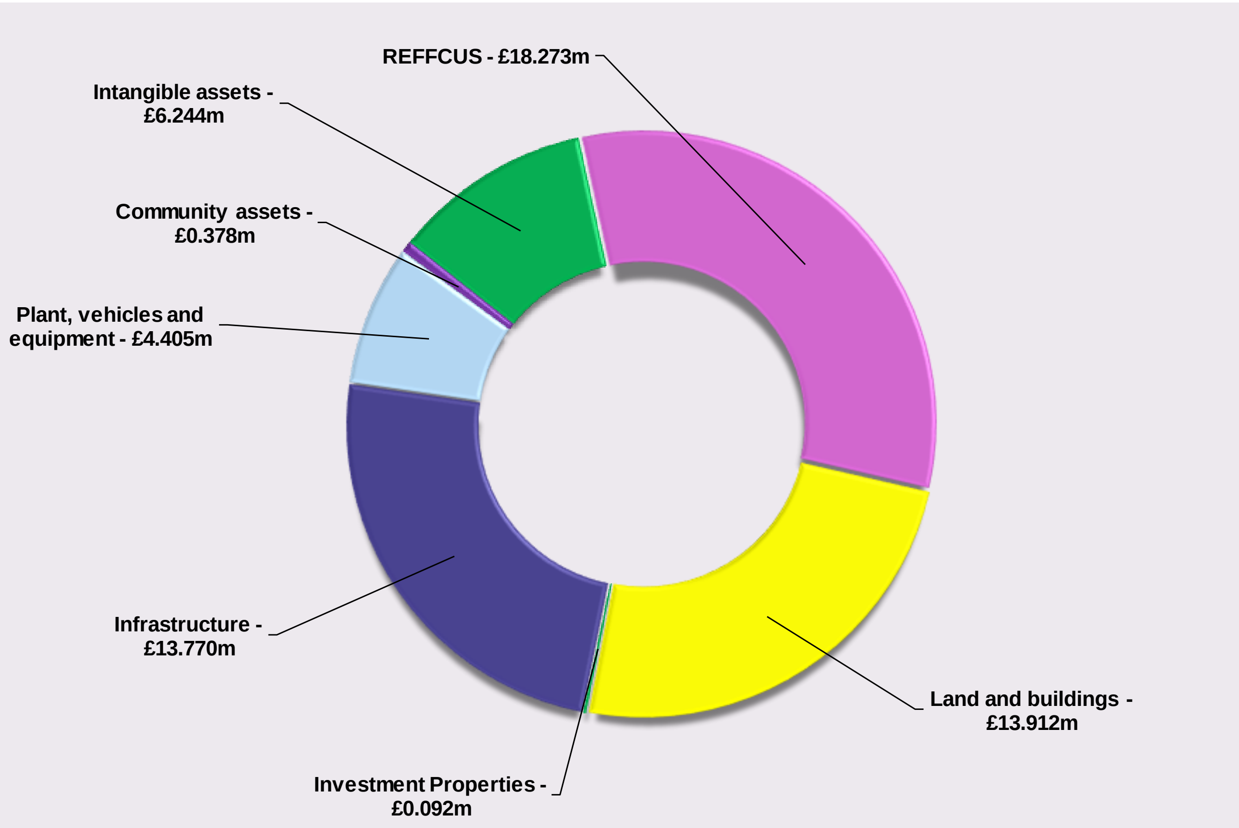
The following graph shows how the council’s total expenditure within the CIES (page 28) is split between services.



The council has had to operate within an unstable and volatile national and local environment. This has resulted in pressures on financial resources due to the economic downturn, a reduction in public sector funding, an ageing population, increasing numbers of adults with complex needs, and the numbers of looked after children.

Capital expenditure

Capital expenditure in 2018/19 amounted to £57.074 million. The breakdown of capital expenditure (note 26, page 76) is shown below.

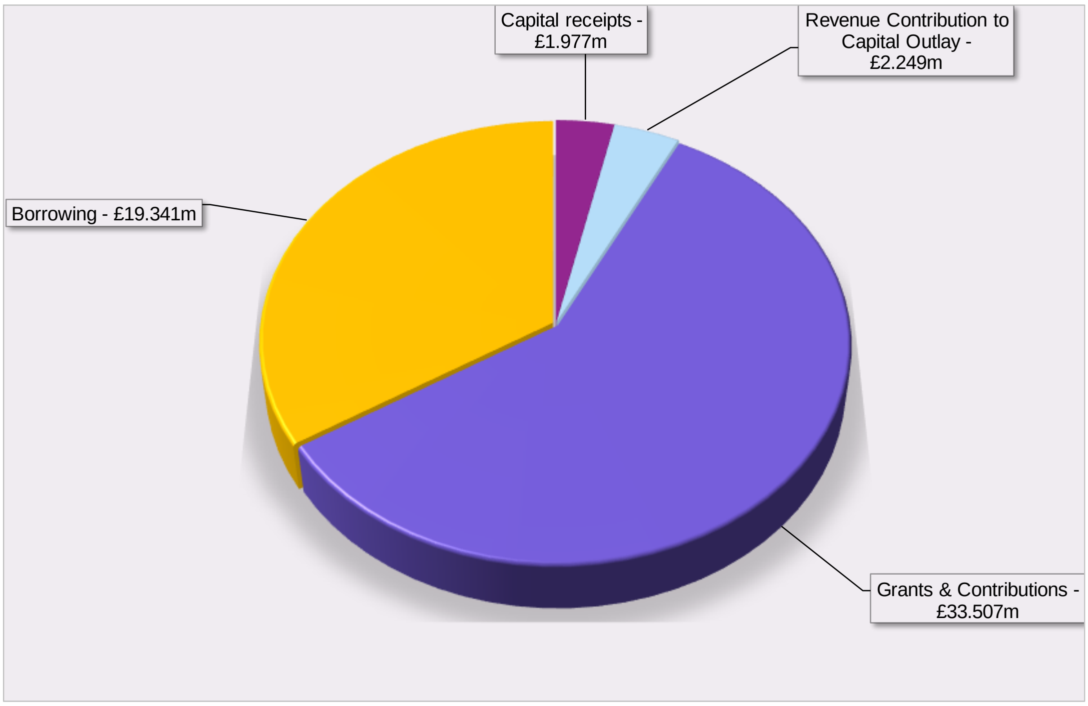


REFFCUS = Revenue Expenditure Funded From Capital Under Statute

The major areas of capital expenditure were £13.912 million on land and buildings, £13.770 million on infrastructure including roads maintenance and £18.273 million on revenue expenditure funded from capital under statute (REFFCUS). REFFCUS expenditure arises when capital expenditure is incurred on assets not owned by the council and, therefore, cannot be added to the council's asset register and balance sheet.

The majority of the REFFCUS expenditure is linked to the Growth Deal grant received in 2017/18 and 2018/19 to provide funding to local businesses and organisations, within the Black Country, to encourage growth and create new employment. This expenditure is charged to revenue with a corresponding release from the capital adjustment account to ensure there is no impact on council tax.

Capital expenditure was funded by grants and contributions (£33.507 million), borrowing (£19.341 million) and other council resources (£4.226 million).



The council has two Private Finance Initiative (PFI) schemes, one for the build and operation of St Thomas More School and another for the replacement and operation of the council's street lighting. The council has financial commitments (see note 28 on page 78) as a result of these schemes which are financed through PFI credits from central government and a council contribution.

Balance Sheet

As at 31 March 2019 Walsall Council's Balance Sheet (page 31) shows a negative net worth of £152.845 million. This is largely due to the government policy of academy conversion of local authority schools and the deficit on the West Midlands Metropolitan Authorities Pension Fund.

Since 2008 the council has seen a total of 33 schools convert to academy with a combined balance sheet asset value of £276.868 million. The council is not compensated for any academy conversions regardless of whether there has been any borrowing in prior years to finance capital spend associated with these assets. This means that for each academy conversion the council's balance sheet is further reduced.

The council's liquidity ratio, that is a measure by how much the council can cover its current liabilities by its current assets, is 1.68 (up from 1.03 in 2017/18). The increase in the liquidity ratio is mainly a result of the repayment of short term borrowing in 2018/19 following the upfront pension payment made in April 2017. The council can cover its long-term borrowing by its long-term assets by 2.05 (decrease from 2.34 in 2017/18) due to the council unwinding part of its under-borrowed position where internal resources were previously used to finance capital investment in the short term. These ratios indicate that whilst the balance sheet is negative the council is more than able to meet both its short term liabilities and its borrowing requirements. These accounts are accordingly prepared on a going concern basis.

The balance sheet for the year has seen an increase of £23.254 million in total net assets from a negative £176.099 million to negative £152.845 million. Excluding the total net pension liability of £531.509 million (£515.830 million in 2017/18) the council shows a net asset balance of £378.664 million (£339.731 million in 2017/18). This combined with the above ratios for liquidity and assets over liabilities demonstrate a sound financial position.

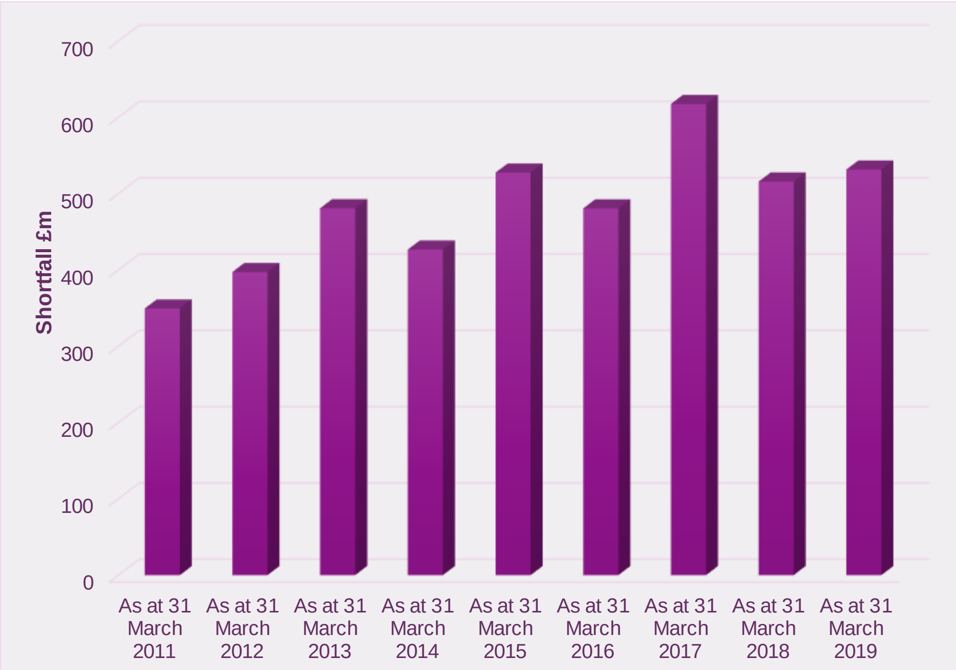
Material and unusual changes to non-current assets

During the year a review of investment properties was carried out based on the original business plan. This highlighted that two properties did not meet the recognition criteria for investment properties as set out in the Code, specifically that these were built to kick start regeneration in the town centre as opposed to holding solely for rent generation purposes. As a result of this the council has transferred these from investment properties to operational land and buildings. The value of this transfer totalled £7.437 million (see note 23 page 72).

Pensions

Walsall Council participates in the West Midlands Metropolitan Authorities Pension Fund which is administered by Wolverhampton City Council. The pension fund actuaries are Barnett Waddingham LLP.

As at 31 March 2019 there is an actuary calculated shortfall for Walsall Council of £531.509 million (£515.830 million at 31 March 2018) between the forecast cost of future pensions and the value of the assets currently held within the pension fund. The calculated shortfall is a very volatile valuation, caused by fluctuations in the financial markets. The movement in the shortfall over the last eight years, since the council has been required to account for pensions according to accounting standards, can be seen below.



The forecast pension payments represented by the calculated shortfall 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 adjust the value of the fund assets.

The West Midlands Metropolitan Authorities Pension Fund underwent its triennial revaluation in 2016/17 based on conditions at 31 March 2016. This revaluation reviewed the current condition of the fund and its ability to meet current and future pension obligations. The revaluation determined the contribution rates based on a requirement to bring the fund to a breakeven position over the following 17 years from 31 March 2019.

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.

The council places great importance on the management of the security of all investments. This risk is minimised through the annual investment strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The annual investment strategy also considers maximum amounts and time limits in respect of each financial institution.

The council ended 2018/19 with short term investments of £121.162 million (£100.090 million 2017/18). Use of these investments will be required to fund those capital projects currently underway where completion is due beyond 31 March 2019 and for the planned use of earmarked reserves in future years.

The target investment rate receivable by the council for 2018/19 was 0.70% however as at 31 March 2019 the actual rate was 1.08%. When compared to current market conditions this rate shows the council continues to maximise investment income. In cash terms this means the council received £2.308 million (£2.186 million in 2017/18) of investment income. This is in addition to £1.361 million (£1.599 million in 2017/18) of dividend income from shares held in Birmingham Airport, and £0.835 million (£0.475 million in 2017/18) of dividend income from holdings in the CCLA Property Fund.

At 31 March 2019 the council's external long term borrowing was £290.678 million (£256.561 million as at 31 March 2018). Short term borrowing as at 31 March 2019 was £21.123 million (£71.766 million as at 31 March 2018). The decrease in short term borrowing is a result of the repayments made 2018/19 following the upfront pension payment made in April 2017.

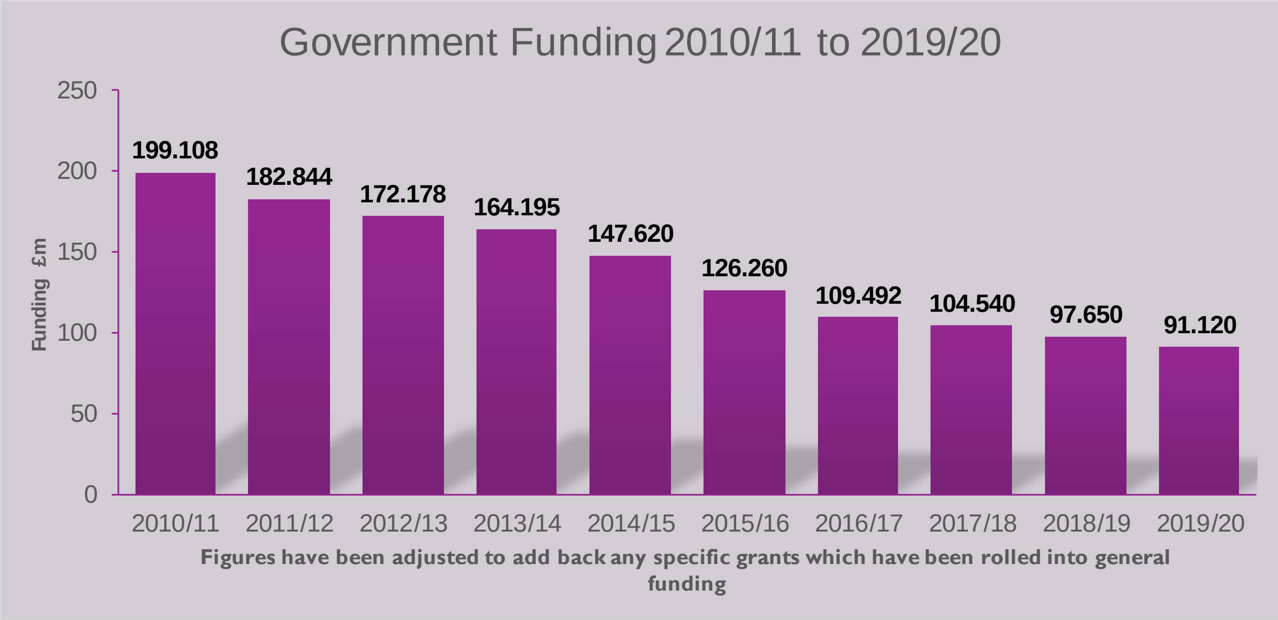
The interest costs associated with this debt represent 6.54% of the net budget requirement for the year, at an average interest rate of 3.69% compared to the target interest rate for the year of 3.76%.

6. The impact of the current economic climate going forward

The council's budget is a financial representation of the organisation's plans for the forthcoming financial year and beyond. In times of economic uncertainty, it is imperative that the council plans over the medium term. The council's budget reported to full Council on 28 February 2019 looks over the lifetime of the spending review period 2018/19 to 2021/22 in some detail and is constructed as an integral part of the council's planning processes. It is aligned to its priorities and objectives and specifically the council's corporate plan, strategic economic plan, and workforce development plan.

Our Challenges

Around half of Walsall's funding comes from Government grant (59% - top up, schools DSG and some specific service grants). In 2010, Walsall received £199m of Government core funding support to deliver services, alongside income generated from council tax. Between 2010/11 and 2019/20, Government has cut funding by c.£108m. Alongside cost pressures over the same period, savings totalling c.£192m have had to be identified and implemented.



As at 31 March 2019 it is projected that by the end of the current Parliament, Walsall will be subject to a further reduction in funding of £3.725 million.

By 2020/21 local government was expected to become fully self-funding, with core revenue support grant ceasing and the introduction of 100% localisation of business rate retention (BRR), (as opposed to the current 49%). However, Government has changed its plans, with a target of 75% now in place. The Government expected that national increases in growth in rate yields would fully offset the reduction in core funding. The reality is that many deprived councils, such as Walsall, due to its relative need and business rate yield, will be unable to fully cover this funding shortfall.

From 2017/18, Walsall has been part of the West Midlands Combined Authority (WMCA) 100% business rate retention (BRR) pilot. Government agreed that this would be at ‘no detriment’ to participating authorities; however, there remains some uncertainty as to the future final impact of national policy in respect of BRR.

The council’s second largest source of funding is council tax (c19% of the council’s gross spend is funded from council tax), which continues to be subject to Government restrictions on the amount that can be raised from this income stream, previously through ‘capping’, and now through the referendum principles. The budget currently assumes council tax increases of 2.99% over the next three years, with an additional 1% in 2019/20 for Adult Social Care activity, in line with current referendum principles.

2019/20 is also the final year of the multi-year settlement. The future financial environment therefore continues to be challenging for councils for 2020/21 and beyond, with significant uncertainties in future grant, including public health, better care fund, etc. One of the major thrusts has been that local authorities can now keep a share of the business rates generated within their area rather than pooling for national redistribution, however this benefit is limited by other parts of the funding mechanism, such as Government top slicing of funds to meet new burdens, safety net authorities, national capitalisation targets, etc.

Additionally, as part of BRR, the Government is consulting on transferring additional responsibilities to local authorities. This could lead to further pressures if these are not fully funded.

Alongside reductions in funding, the council also faces increasing cost pressures, due both to increasing demand (for example, as a result of welfare reforms reducing individuals disposable incomes further, larger numbers of older people requiring support to remain independent, etc.) and new burdens imposed by Government, but without the corresponding full funding given. The following summarises initiatives, demand and other pressures that have and will continue to have financial implications for the council over the coming years:

- Continued reductions in core government grant funding
- From an ageing population putting strain on Local Authority systems both in financial and operational terms. For example, adult social care packages and placements costs have risen by £9.70m from £56.21m in 2010/11 to £65.91m in 2019/20.
- For looked after children, and the associated impact on numbers of socials workers, and costs required to support these children. There were 488 in March 2011, compared to 605 in January 2019.

The Medium Term Financial Strategy (MTFS)

The MTFS is a strategic framework and policy document within which the council's finances are constructed and managed. It is part of a suite of policy documents that together comprise the council's approach to effecting sound governance and good practice. It is the translation of our vision, aims and objectives into a financial plan, which thereby facilitates delivery of these through the portfolio planning process.

The MTFS is a key document in bringing together the level of available resources with the demands for service delivery and investment, facilitating sound financial and service risk and opportunity management. It also links to the impact on the council's capital resources and external funding opportunities.

The MTFS is the overarching corporate financial policy sitting below the Corporate Plan and above the other elements of the financial cycle. It is the driver for all other financial activity. Below the MTFS sit the other financial strategies; the capital strategy and the treasury management strategy.

For a number of years the council has adopted a policy-led, medium term approach to financial planning. We seek to ensure our budgets are clearly linked to our vision, aims and objectives. We are committed to maintaining financial stability and delivering value for money through effective and efficient services.

The main objective for the council is to maintain good long-term financial health. Achieving this allows us to deliver good quality, value for money services, shaped by our customer demand - services that are modern, efficient, effective, and fit for purpose. This requires a framework that delivers both continuous, adaptive improvement and core strength.

2019/20 Revenue Budget Headlines

The revenue budget is constructed in accordance with the council’s medium term financial strategy (MTFS), the corporate plan, and all relevant corporate financial protocols and presents a draft balanced budget, with:

- A focus on a policy-led, medium term, risk assessed budget setting approach using priorities established by Cabinet,

- A total net council tax requirement of £121.37m,
- A 3.99% council tax increase, equivalent to a Band D Council Tax of £1,714.49 (excluding precepts) and £1,927.64 (including precepts),
- Investment of £6.05m for Adult Social Care cost pressures primarily to cover demographic changes,
- Investment of £3.03m for Children's Services cost pressures primarily to cover Looked after Children, management of caseloads, demographic changes and contractual inflation,
- Provision for other known budget pressures, including cost pressures and reduced levels of income or grant, of £5.01m,
- Provision for pay related costs of £4.07m,
- Bringing total investment to £18.16m,
- Additional one-off grant investment of £1.432m for adult social care winter pressures, and £2.446m for adults and children's social care, as announced in the Autumn Budget on 29 October 2018,
- Savings of £20.08m,
- Appropriate use of prudential borrowing to support capital investment where affordable and sustainable with revenue costs being reflected in this report,
- Opening general reserves of c£13.8m in line with our Medium Term Financial Strategy.

Summary of the 2019/20 Capital Programme

The council has an asset portfolio of around £536m. Therefore managing and maintaining these assets is a key issue for the council to ensure they continue to be fit for purpose and their value is maintained. The capital programme is key to delivering the council's vision and priorities.

Due to the diverse nature of capital expenditure, each capital scheme impacts on residents in different ways according to their use of council facilities and services. The capital programme has been constructed within the principles outlined in our capital strategy. This document drives the construction and management of the capital programme. The Strategy reflects and enables delivery of the council's vision and priorities and approved schemes must deliver that aim. It also requires the council to optimise successful partnership working for example through the Walsall Partnership, NHS Walsall, registered social landlords and regionally with other councils.

The 2019/20 capital programme totals £73.48m and is presented in two parts:

- Council funded programme (£16.39m) - funded through borrowing and capital receipts (Table 9). Of this £0.75m is identified for council wide schemes, funding to support essential works including health and safety and other projects that cannot be guaranteed at the start of the year.
- Non-council funded programme (£57.09m) - funded from capital grants.

In addition, the council's leasing programme for 2019/20 is £1.2m – revenue costs of which are funded from services own budgets.

Brexit

Following the referendum result on 23 June 2016 which meant that the United Kingdom was to embark on leaving the European Union (EU), the Prime Minister formally triggered Article 50 on 29 March 2017 which began this process. In March 2019 it was agreed with the EU that an extension up to the end of October would be allowed with the possibility of leaving earlier if a deal is agreed.

The implications of leaving the EU are not fully known but there could be a potential impact for the council due to reductions in EU funding, a change in interest rates, an increase in expenditure and an increase in the cost of basic goods which could impact on residents.

The council has already seen a reduction in investment income as a result of interest rate uncertainty. As there is still a degree of doubt, the risk associated with leaving the EU is not measurable. The impact will be closely monitored and any adverse effect considered and reported through the appropriate channels within the council's governance structure.

7. Reporting requirements for the 2018/19 accounts

The major change to the Code in 2018/19 was the implementation of IFRS 9 Financial Instruments. This has seen a significant change to the way investments are categorised and the required changes have been included in these accounts.

The new standard sets out that investments in equity should be recognised as fair value through profit and loss. This would mean that any changes in valuation would impact the council's revenue budget. The Code, however, does allow for councils to elect at the outset to treat equity investments as fair value through other comprehensive income. Walsall Council has therefore, elected to designate its shareholding in Birmingham Airport as fair value through other comprehensive income (further detail available in note 29 page on page 80). This will ensure there is no impat on the general fund or taxpayers. This election to designate to fair value through other comprehensive income is irrevocable. Also any changes in the valuation will not impact the revenue budget.

To help minimise the initial impact of IFRS 9 the Ministry for Housing, Communities and Local Government (MHCLG) agreed a statutory override for pooled investment funds lasting five years from April 2018. The council will use this statutory override to account for the any changes in the fair value on its property fund holdings. Further details on the impact of the IFRS 9 is disclosed in Note 29.

Following a review of the council financial statements in line with CIPFA's Telling the Story: Improving the Presentation of Local Authority Financial Statements project, a number of disclosure notes have been either amended or combined to improve the presentation of financial information.

8. Reporting requirements for the 2019/20 accounts and beyond

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2019/20 code are:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments

- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

The council will review these during 2019/20 and implement any necessary changes.

Explanation of the statements

Core financial statements:

Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the movement in reserves statement and expenditure and funding analysis.

Movement in Reserves Statement (MIRS)

This statement shows the movement in the year for the reserves held by the council, split into the movement created by the CIES and regulatory movements required for council tax purposes. The reserves are analysed into usable reserves (those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the council as at 31 March 2018. The net assets of the council (assets less liabilities) are matched by the reserves (usable and unusable as shown in the MIRS) held by the council. Assets such as buildings and vehicles are used by the council to deliver its services.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting period. This statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

Notes to the accounts:

Accounting policies

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 CIPFA and these are applied consistently.

Other notes

Following the notes detailed above there are numerous other notes contained within the statement of accounts which provide further detail to the figures included within the core statements. The purpose of these is to aid clarity and understanding to all users of the accounts.

Additional financial statements:

Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate collection fund which collates all the transactions relating to a billing authority’s non domestic rates (NDR) and council tax.

Trust and scholarship accounts

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

Statement of responsibilities

The council's responsibilities

The council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director – Resources and Transformation (Section 151 Officer).
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts.

The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code.

The Chief Financial Officer has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification by the Chief Financial Officer

I, the Chief Financial Officer of Walsall Metropolitan Borough Council, certify that this statement of accounts gives a true and fair view of the financial position of the authority at the reporting date and of its expenditure and income for the year ended 31 March 2019

James T. Walsh B.Hum (Hons) ACMA CGMA
Executive Director – Resources and Transformation (Section 151 Officer)
22 July 2019

Approval of Statement of Accounts

The statement of accounts was approved by the Walsall Council Audit Committee on XX July 2019.

Mr A Green
Chair of the Audit Committee
22 July 2019

Independent auditor’s report to the members of Walsall Metropolitan Borough Council

Core financial statements

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement (page 30).

2017/18							2018/19					
Economy and Environment £m	Adult Social Care £m	Children and Young People £m	Resources and Transformation £m	Central £m	Total £m		Economy and Environment £m	Adult Social Care £m	Children and Young People £m	Resources and Transformation £m	Central £m	Total £m
(2.082)	(35.872)	(167.477)	(107.767)	0.000	(313.198)	Government grants (Note 17)	(1.706)	(42.010)	(174.426)	(102.872)	(0.007)	**(321.021)**
(30.628)	0.000	(2.828)	(3.213)	0.000	(36.669)	Capital grant income (Note 17)	(11.724)	(0.750)	(0.961)	(3.254)	0.000	**(16.689)**
(23.055)	(11.895)	(11.498)	(14.435)	(4.539)	(65.422)	Fees, charges and other service income	(23.825)	(11.557)	(13.287)	(14.012)	(5.861)	**(68.542)**
(55.765)	**(47.767)**	**(181.803)**	**(125.415)**	**(4.539)**	**(415.289)**	**Gross income**	**(37.255)**	**(54.317)**	**(188.674)**	**(120.138)**	**(5.868)**	**(406.252)**
32.407	19.143	160.220	33.749	11.537	257.056	Employee expenses	32.080	16.622	159.866	33.273	26.473	**268.314**
71.519	93.877	74.628	103.096	(4.393)	338.727	Other service expenditure	53.803	95.978	82.766	97.498	1.037	**331.082**
10.540	2.558	8.827	7.930	0.000	29.855	Support service recharges	10.476	3.130	9.612	7.996	0.652	**31.866**
12.704	0.900	5.778	3.516	0.000	22.898	Depreciation, amortisation and impairments	12.616	0.304	5.075	3.908	0.000	**21.903**
1.377	(0.978)	35.936	(4.529)	0.000	31.806	Revaluation losses/(gains)	6.192	(0.148)	5.167	0.391	0.000	**11.602**
128.547	**115.500**	**285.389**	**143.762**	**7.144**	**680.342**	**Gross expenditure**	**115.167**	**115.886**	**262.486**	**143.066**	**28.162**	**664.767**
72.782	**67.733**	**103.586**	**18.347**	**2.605**	**265.053**	**Cost of services**	**77.912**	**61.569**	**73.812**	**22.928**	**22.294**	**258.515**

Continued…

Continued…

2017/18							2018/19					
Economy and Environment £m	Adult Social Care £m	Children and Young People £m	Resources and Transformation £m	Central £m	Total £m		Economy and Environment £m	Adult Social Care £m	Children and Young People £m	Resources and Transformation £m	Central £m	Total £m
72.782	**67.733**	**103.586**	**18.347**	**2.605**	**265.053**	**Cost of services**	**77.912**	**61.569**	**73.812**	**22.928**	**22.294**	**258.515**
0.000	0.000	0.000	0.000	11.276	11.276	Other operating expenditure (Note 5)	0.000	0.000	0.000	0.000	10.964	**10.964**
(1.418)	0.000	(0.001)	0.000	23.497	22.078	Financing & investment income and expenditure (Note 5)	8.462	0.000	0.000	0.000	25.027	**33.489**
(19.740)	(1.101)	(2.710)	(0.330)	(240.445)	(264.326)	Taxation & non-specific grant income (Note 5)	(19.248)	(1.873)	0.000	(0.079)	(266.819)	**(288.019)**
51.624	**66.632**	**100.875**	**18.017**	**(203.067)**	**34.081**	**(Surplus) or deficit on provision of services**	**67.126**	**59.696**	**73.812**	**22.849**	**(208.534)**	**14.949**
					(22.240)	(Surplus) or deficit arising on revaluation of non-current assets (Note 36)						**2.827**
					1.312	Impairment losses or (reversals) on non-current assets charged to the revaluation reserve (Note 36)						**0.388**
					1.532	(Surplus) or deficit arising on revaluation of available for sale financial assets (Note 36)						**(1.090)**
					(58.226)	Remeasurements of the defined benefit liability (Note 36)						**(40.328)**
					(43.541)	**Total comprehensive income and expenditure**						**(23.254)**

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (surplus) or deficit on the provision of services line shows the true economic cost of providing the council's services, more details of which are shown in the CIES (page 28). These are different from the statutory amounts required to be charged to the general fund balance for council tax setting purposes.

	General fund balance £m	Earmarked general fund balances £m	Total General Fund Balances £m	Capital grants unapplied account £m	Capital receipts reserve £m	Total usable reserves £m	Total unusable reserves £m	Total reserves of the authority £m
Balance at 31/03/17 carried forward	**(13.904)**	**(129.634)**	**(143.538)**	**(22.380)**	**(7.829)**	**(173.747)**	**393.387**	**219.640**
Total comprehensive income and expenditure	34.081	0.000	**34.081**	0.000	0.000	**34.081**	(77.622)	**(43.541)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(35.403)	(20.518)	**(55.921)**	2.400	(0.937)	**(54.458)**	54.458	**0.000**
(Surplus) / deficit in year	**(1.322)**	**(20.518)**	**(21.840)**	**2.400**	**(0.937)**	**(20.377)**	**(23.164)**	**(43.541)**
Balance at 31/03/18 carried forward	**(15.226)**	**(150.152)**	**(165.378)**	**(19.980)**	**(8.766)**	**(194.124)**	**370.223**	**176.099**
Adjustment for reclassification of investment properties	(0.275)	0.000	**(0.275)**	0.000	0.000	**(0.275)**	0.275	**0.000**
Revised Balance at 31/03/18 carried forward	**(15.501)**	**(150.152)**	**(165.653)**	**(19.980)**	**(8.766)**	**(194.399)**	**370.498**	**176.099**
Total comprehensive income and expenditure	14.949	0.000	**14.949**	0.000	0.000	**14.949**	(38.203)	**(23.254)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(15.117)	(0.512)	**(15.629)**	(22.416)	0.077	**(37.968)**	37.968	**0.000**
(Surplus) / deficit in year	**(0.168)**	**(0.512)**	**(0.680)**	**(22.416)**	**0.077**	**(23.019)**	**(0.235)**	**(23.254)**
Balance at 31/03/19 carried forward	**(15.669)**	**(150.664)**	**(166.333)**	**(42.396)**	**(8.689)**	**(217.418)**	**370.263**	**152.845**

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the council as at 31 March 2019. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories: usable and unusable. Usable reserves are those reserves the council may use to provide services, subject to the need to maintain a prudent level of general reserves and any statutory limitations on their use (e.g. the capital receipts reserve may only be used to fund capital expenditure or repay debt). Unusable reserves are those the council is unable to use to provide services. These include reserves that hold unrealised gains and losses (e.g. revaluation reserve), where amounts would only become available if the assets are sold; and reserves that hold timing differences shown in the movement in reserves statement line ‘Adjustments between accounting basis and funding basis under regulations’ (Note 7, page 53).

2017/18 £m		Note	2018/19 £m
476.473	Property, plant and equipment	19	483.156
33.961	Heritage assets	21&22	33.961
23.308	Investment property	23	7.291
2.280	Intangible assets	24	6.910
57.773	Long term investments	29	59.228
5.696	Long term debtors	29	5.180
599.491	**Long term assets**		**595.726**
100.090	Short term investments	29	121.162
3.555	Assets held for sale	25	0.110
0.519	Inventories		0.337
44.552	Short term debtors	31	51.133
15.010	Cash and cash equivalents	32	28.501
163.726	**Current assets**		**201.243**
(71.766)	Short term borrowing	29	(21.123)
(68.043)	Short term creditors	33	(87.412)
0.000	Revenue Grants Received in Advance		(0.047)
(9.830)	Capital Grants Received in Advance	33	(2.855)
(9.077)	Provisions	34	(8.619)
(158.716)	**Current liabilities**		**(120.056)**
(0.861)	Provisions	34	(1.149)
(256.561)	Long term borrowing	29	(290.678)
(523.178)	Other long term liabilities	29	(537.931)
(780.600)	**Long term liabilities**		**(829.758)**
(176.099)	**Net assets**		**(152.845)**
(194.124)	Usable reserves	35	(217.418)
370.223	Unusable reserves	36	370.263
176.099	**Total reserves**		**152.845**

The unaudited accounts were issued on 28 May 2019 and the audited accounts were authorised for issue on 22 July 2019.

Signed: Date: 22 July 2019

James T. Walsh B.Hum (Hons) ACMA CGMA

Executive Director – Resources and Transformation (Section 151 Officer)

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the council.

2017/18		2018/19	
£m		£m	£m
34.081	Net (surplus) or deficit on the provision of services	14.949	
(22.697)	Adjustments to net surplus or deficit on the provision of services for non-cash (Note 37)	(122.616)	
54.074	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 37)	47.424	
65.458	**Net cash (inflows)/outflows from operating activities**		**(60.243)**
	Interest and Dividends		
11.751	Interest Paid	14.744	
(2.086)	Interest Received	(2.149)	
(2.074)	Dividends	(2.196)	
7.591			**10.399**
	Investing activities		
41.079	Purchase of property, plant and equipment, investment property and intangible assets	49.283	
195.000	Purchase of short-term and long-term investments	195.500	
(3.177)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1.901)	
(203.500)	Proceeds from short-term and long-term investments	(173.500)	
(61.928)	Other receipts from investing activities	(49.940)	
(32.526)			**19.442**
	Financing activities		
(108.836)	Cash receipts of short - and long-term borrowing	(66.507)	
4.667	Other payments from financing activities	(0.167)	
56.876	Repayments of short- and long-term borrowing	83.585	
(47.293)			**16.911**
(6.770)	**Net (increase)/decrease in cash and cash equivalents**		**(13.491)**
	Cash and cash equivalents (Note 32)		
(8.240)	- at the beginning of the reporting period		(15.010)
(15.010)	- at the end of the reporting period		(28.501)
(6.770)	**Movement in cash (increase)/decrease**		**(13.491)**

Notes to the accounts

1. Significant accounting policies

General principles

The statement of accounts summarises the council's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. The council is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of expenditure and income

The revenue accounts of the council are maintained on an accruals basis in accordance with proper accounting practices. In particular:

- Revenue from contracts for services or provision of goods are recognised when the council provides them to the customer.
- Supplies and services are recorded as expenditure when the goods are consumed or services received.
- 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

There is a de-minimis level in place for all accruals of income and expenditure. This level is reviewed annually and is currently set at £2,500. Accruals are not required to be made for individual transactions under this value, with the exception of the following:

- Any grant where applying the de-minimis level would affect the claim;
- Accruals which are calculated using system automated reports;
- For a group of similar transactions where there would be a material impact upon the management or financial accounts of not processing the accrual, for example trading services.
- Accruals for schools income and expenditure.

Cash and cash equivalents

The council identifies cash as being both cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are any deposits made with financial institutions that have an initial maturity period of less than three months and readily convertible to known cash amounts with insignificant risk of change in value.

Prior period adjustments, changes in accounting policies and estimation errors

Prior period adjustments arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable/relevant information about the effect of transactions, other events and conditions on the council's financial position/performance. Where a change is made it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Council Tax and Non-domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities and major preceptors share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Employee benefits

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy. These are charged on an accruals basis to the relevant service at the earlier of when the council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the general fund balance to be charged with the amount payable by the council to the pension fund or individual in the year, not the amount calculated according to the relevant accounting standards.

Post employment benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The Local Government Pension Scheme, administered by Wolverhampton City Council
- The NHS Pension Scheme, administered by NHS Pensions

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

Arrangements for the teachers' pension scheme and NHS pension scheme mean that liabilities for these benefits cannot be identified to the council. These schemes are therefore accounted for as if they were a defined contributions scheme. For both schemes no liability for future payments of benefits are recognised in the balance sheet. The employer's contributions payable in the year for teachers are charged to the Childrens surplus or deficit on provision of services. The employer's contributions payable in the year for NHS pensions are charged to the public health surplus or deficit on provision of services.

Local government pension scheme
The local government scheme is accounted for as a defined benefit scheme.

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 – i.e. 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 future earnings for current employees.

Liabilities are discounted to their value at current prices, based on the weighted average of spot yields on high quality corporate bonds.

The assets of the West Midlands Metropolitan Authorities Pension Fund attributable to the council are included in the balance sheet at their fair value:

- Quoted securities - current bid price
- Unquoted securities - professional estimate
- Unitised securities - current bid price
- Property - market value

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

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated to the services for which the employees worked
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years
  - Net interest on the net defined benefit liability, i.e. net interest expense for the council – the change during the period in the net defined benefit liability that arises from the passage of time. Calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Re-measurements comprising:
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability
  - Remeasurement 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

- Contributions paid to the West Midlands Metropolitan Authorities Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the general fund balance to be charged with the amount payable by the council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

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 award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Fair value measurement

The council measures some of its non-financial assets such as surplus assets and investment properties and available for sale financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the council's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the council can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

Financial instruments

Financial assets

Financial assets are classified into two types:

- Amortised cost
- Fair Value through Profit or Loss (FVPL)

The council's business model is to hold investments to collect contractual cash flows. If payments are solely principle and interest they are classified as amortised cost. Otherwise they are classed as FVPL.

Financial assets measured at amortised cost

Financial assets measured at amortised cost are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the surplus and deficit on provision of services for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate 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 principal receivable and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Expected credit loss model

The council recognises expected credit losses on all its assets held at amortised cost either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables. Only lifetime losses are recognised for debtors held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place due to the borrower defaulting. Where credit risk is assessed to be high then losses are assessed on a lifetime basis. If risk the risk is assessed to be low then losses are assessed on a 12 month basis.

Financial assets measured at FVPL

Financial assets measured at FVPL are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Fair values are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

Financial liabilities

Financial liabilities are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the CIES in the year of repurchase/settlement. Where premiums and discounts have been charged to the surplus or deficit on provision of services as a result of The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2007 (SI 2007/573), these 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 paid. For discounts receivable, statute limits this to a maximum of 10 years

Government/non-government grants and contributions

Whether paid on account, by instalments or in arrears, grants and third party contributions and donations are recognised as income due to the council when there is reasonable assurance that;

- the grants/contributions will be received
- the council will comply with any conditions attached to the payments

Where the conditions have not been satisfied the grant/contribution will be carried on the balance sheet as creditors. When the conditions have been satisfied the grant/contribution will be recognised in the CIES by either crediting:

- the relevant service line (attributable revenue grants/contributions)
- taxation and non-specific grant income (non-ringfenced revenue grants and all capital grants)

Where capital grants are credited to the CIES, they are reversed out of the general fund balance in the movement in reserves statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Joint operations

These are arrangements by which the parties that have joint control of the arrangement have the rights to the assets and obligations for the liabilities relating to the arrangement e.g. Better Care Fund (BCF). All parties have joint control with decisions of the activities of the arrangement requiring unanimous consent from all parties. The council recognises on its balance sheet the assets that it controls and the liabilities that it incurs and debits and credits the CIES with the expenditure it incurs and the share of income it earns from the activity of the operation.

Interests in companies and other entities

An assessment of the council's interests has been carried out during the year in accordance with the Code of Practice to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the council's control over the entity demonstrated through ownership, such as a shareholding in an entity or representation on an entity's board of directors.

The council does have a number of interests in companies and other entities, none of which are not material and thus the production of group accounts are not required for these interests.

Investment properties

Investment properties are properties held by the council to solely earn rentals and/or capital appreciation. They are recognised only when it is probable that future economic benefits or service potential will flow to the council, and that the cost or fair value of the expenditure can be measured reliably.

Investment properties are initially measured at cost, except where acquired through a non-exchange transaction which are measured at fair value.

After recognition investment properties are measured at fair value. Any gain or loss from a change in fair value is recognised in the CIES. The same treatment is applied to gain and losses on disposal.

Investment properties measured at fair value are not subject to depreciation.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership of a non-current asset to the lessee. All other leases are classified as operating leases. The council does not hold any material finance leases.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The council as lessee

Operating leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

Finance leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease as its fair value measured at the lease’s inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge – debited to the CIES.

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset’s estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The council as lessor

Operating leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Finance leases

The council does not hold any material finance leases as a lessor.

Private Finance Initiative (PFI)/Public-Private Partnership (PPP) schemes

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the council at the end of the contracts for no additional charge, the council carries the assets used under the contracts on its balance sheet as part of Property, Plant and Equipment.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the CIES
- Finance cost – interest is charged on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the provision of goods and services, or for administrative purposes, and are expected to be used for more than one year.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis. This is provided that it is probable that future economic benefits or service potential will flow to the council, and that the cost of the expenditure can be measured reliably. Any expenditure that does not meet this criteria i.e. it maintains the asset's potential to deliver future economic benefits and service potential (day to day servicing/repairs and maintenance), is charged to revenue as it is incurred.

The council does not set a de-minimus level for capitalising costs as it considers that spend that is of a capital nature should be accounted for as such.

Where the council incurs capital spend on or revalues any property, plant and equipment this will be reviewed to determine whether there are any material components. An identifiable component within a main asset (e.g. a lift within a building) will be recognised separately and accounted for like any other piece of property, plant and equipment. The council will only review material components where the main asset has a gross book value of £1 million. Individual components will only be recognised where the value is greater than £150k or they represent a significant proportion of the main asset.

Measurement and depreciation

Property, plant and equipment are initially measured at cost, except donated assets which are measured at fair value. Where it is a donated asset the measurement of the asset at fair value does not constitute a revaluation and is not recognised as such.

After recognition property, plant and equipment assets are depreciated and valued as shown below.

	Valuation basis	Asset life	Depreciation method
Operational land and buildings - general	Existing use value	10-80 years	Straight line (including car park land)
Operational land and buildings - specialised	Depreciated replacement cost	10-100 years	Straight line
Plant, vehicles and equipment	Current value*	3-10 years	Straight line
Infrastructure	Depreciated historic cost	15-35 years	Straight line
Community assets	Historic cost	No determinable asset life	Not depreciated
Surplus assets	Fair value - market value	10-80 years	Straight line
Assets under construction	Historic cost	n/a	Not depreciated

*For vehicles, plant and equipment due to their short operational lives the council uses depreciated historic cost as a proxy for current value.

Assets included in the balance sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years.

Disposals

When property, plant and equipment assets are disposed of or decommissioned the net gain or loss is taken to the CIES.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts (75%) relating to mortgages given to former tenants who purchased their properties under the right to buy scheme is payable to the government. The balance of the receipts is credited to the capital receipts reserve.

Impairment of non-current assets

At the end of the financial period all non-current assets (excluding non-current assets classified as held for sale) are assessed by type of asset for an indication of any possible impairment. If there is an indication of a possible impairment, an estimate of the new asset value is made. If there is no indication of a possible impairment no further action is taken.

If the conditions that gave rise to an earlier impairment no longer exist the impairment is reversed out of the CIES and reinstated to the asset value. This reversal will not exceed what would be the carrying amount for the asset at the reversal date had the impairment not taken place. Any excess to this amount is treated as a revaluation gain and recognised in the revaluation reserve.

Non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this existing net book value or fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is recognised. Any gains in fair value are recognised only up to the amount of any previous losses previously recognised. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Intangible assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events (e.g. software licenses) are recognised as intangible assets if it is probable that future benefits created by the asset will flow to the council.

Intangible assets are initially measured at cost. After recognition intangible assets are carried at cost less accumulated amortisation and impairments.

Amortisation of intangible assets is carried out where a finite useful life is identified. Amortisation is based on what is determined to be a pattern that reflects the use of economic benefits. If this pattern is not determinable then the asset is amortised on a straight line basis.

Heritage assets

The accounting policy for heritage assets as laid out below makes no distinction between tangible and intangible heritage assets. The assets the council holds cover both tangible (e.g. war memorials) and intangible (e.g. the audio-visual material held within the Epstein Archive) heritage assets.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the council's accounting policies on property, plant and equipment. However some of the measurement rules are different in relation to heritage assets as detailed below.

The council includes the Council House, Town Hall and Walsall Library/Museum buildings within its asset base. Although these are historical buildings, they are operational assets i.e. the council uses them to deliver its services. These are included within property, plant and equipment and valued using the depreciated replacement cost (DRC) methodology, and depreciated over their remaining useful life.

The council's heritage asset collections are accounted for as follows:

Art collections

The art collections are reported on the balance sheet at insurance valuation, based on market values. These assets are deemed to have indeterminate lives and a high residual value. Therefore the council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation in line with the gallery's acquisition policy. Acquisitions are initially recognised at cost and donations are recognised at insurance valuation.

Museum collections

The museum collections are reported at insurance valuation, based on market values for those items over £1,000. The council maintains an inventory of this collection however there is no readily available valuation held by the council for items of less than £1,000. The council believes that the benefits of obtaining a valuation for these items to the user of the accounts would not justify the cost given the specialised nature of this archive. As such the council has not recognised items less than £1,000 on the balance sheet.

For those assets held on the balance sheet they are deemed to have indeterminate lives and a high residual value. Therefore the council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at insurance valuation if the value is over £1,000.

Local history archive

The council's local history archive has no readily available valuation held by the council. There is no definitive market value for these types of assets as they are normally obtained by donation. The council believes that the benefits of obtaining a valuation for these items to the user of the accounts would not justify the cost given the specialised nature of this archive. As such the council has not recognised this archive on the balance sheet.

Civic regalia

The council holds civic regalia for use by the Mayor and Mayoress for official ceremonial purposes. These are reported at insurance valuation. Due to the nature of these assets the council does not deem it appropriate to charge depreciation.

Other heritage assets

The council has five statues, a number of war memorials, memorial clocks and public art works around the Borough. There is no readily available valuation held by the council for these types of assets and no definitive market value as they are not normally traded. The council believes that the benefits of obtaining a valuation for these items to the user of the accounts would not justify the cost given the specialised nature of these assets. As such the council has not recognised these assets on the balance sheet.

Heritage assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment – see accounting policy for property, plant and equipment. The council may occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the council's general provisions relating to the disposal of property, plant and equipment.

Provisions, contingent assets and liabilities

Provisions

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

- the council has a present obligation (legal or constructive) as a result of a past event
- it is probable that a transfer of economic benefits or service potential will be required to settle the obligation
- a reliable estimate can be made of the amount of the obligation

If these conditions are not met then no provision is made.

Recognition of the provision is made in the year that the council becomes aware of the obligation and is based on the best estimate of the likely settlement..

Estimated settlements are reviewed at the end of each financial year. Where it becomes apparent that a transfer of economic benefit is not required (or a lower settlement than anticipated is made) the provision is reversed back..

When some or all of the payment required to settle a provision is expected to be met by another party (i.e. from an insurance claim), this is only recognised as income in the surplus or deficit on provision of services if it is virtually certain that reimbursement will be received if the obligation is settled.

Reserves

The council sets aside specific amounts as reserves for future expected commitments or to cover contingencies. Reserves are created by appropriating amounts from the general fund balance in the movement in reserves statement. When expenditure to be financed from a reserve is incurred it is charged to the CIES. The reserve is then appropriated back to the general fund balance so there is no charge against council tax for the expenditure.

Revenue expenditure funded from capital under statute

Capital expenditure incurred during the year but not resulting in the creation of a non-current asset for the council is classified as revenue expenditure funded from capital under statute (REFFCUS). Expenditure that can be classified as this is defined within the Local Government Act 2003 and associated capital financing regulations. This includes: grants paid to other persons (such as housing renovation grants and disabled facility grants) and bodies for capital expenditure purposes. The council writes out the entire expenditure to the CIES in the year it is incurred. To ensure that no impact is passed on to council taxpayers, this expenditure is then reversed out through the movement in reserves statement by a transfer to the capital adjustment account on the balance sheet.

Value Added Tax (VAT)

Where the council is able to recover VAT it is excluded from both income and expenditure. This is in accordance with proper accounting practices.

Accounting for schools

The Code confirms that the balance of control for local authority maintained schools (i.e. Community, Voluntary aided and Voluntary maintained schools) lies with the Council. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council, rather than requiring consolidation in the Group Accounts. Academies are outside of the Council's control and their transactions are not reflected in the Council's accounts.

Recognition of School Assets

The significant assumptions applied in estimating the fair values are: School assets are carried on the balance sheet in accordance with the legal status of ownership, or intended legal status and any other arrangements in place regarding the use of these schools. The recognition of land and buildings for each type of school is based on the code requirements and accounting standards to determine the underlying relationship to the council of each type of school. Based on these tests the council has identified the following classification of schools within the accounts:

- Community - on balance sheet
- Foundation - on balance sheet
- Voluntary Controlled - on balance sheet

- Voluntary Aided - off balance sheet
- Academies - Academies are outside of the Council's control and their transactions are not reflected in the Council's accounts.

Capital expenditure on voluntary aided schools is treated as revenue expenditure funded from capital under statute.

PFI Schemes

The council has one school subject to PFI contract, which is not shown on the council's balance sheet. This is because it is a voluntary aided school and the control of the right to use the buildings has passed to the school trustees. The PFI liabilities in respect of the PFI School remain on the council's balance sheet as the council is the party to the contract with the PFI operator.

2. Prior period adjustments and critical judgments in applying accounting policies

In applying the accounting policies set out in note 1, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the statement of accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The council determined that there was no group relationship with Birmingham Airport Holdings Ltd. The basis for this conclusion was that the council had insufficient voting power to affect any decision changes, had no material transactions and did not provide essential technical information. The investments are classified as available for sale financial assets as a recent valuation is available.
- In determining which leases were finance leases an assessment was made against all recognition criteria especially where the lease period was greater than 75% of the asset's expected life, or where the value of discounted minimum lease payments is close to 90% of the asset value. Where a lease met at least two of the criteria it was usually classified as a finance lease.
- To decide whether to apply componentisation for property, plant and equipment, each identified component was assessed to determine whether it had a significantly different life to other components within the same asset. It was also assessed to determine if the component was a significant element of the asset. Only if it is deemed that it would make a material difference to the financial statements would it then be recorded as a component.
- For assets where it is difficult to establish a market value, for instance because they are specialist in nature or are rarely sold, the council utilises a depreciated replacement cost (DRC) based on utilising the latest established 'Average Building Prices' information obtained from the Building Cost Information Service (BCIS) website as its baseline data. These valuations are carried out by qualified valuers on the council's behalf.

Accounting for Schools – Consolidation

- In line with accounting standards and the Code on group accounts and consolidation, all maintained schools in the borough are now considered to be entities controlled by the council.

Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the council's single entity accounts.

Accounting for Schools – Balance Sheet Recognition of Schools

- The council recognises the land and buildings used by schools in line with the provisions of the Code. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The council recognises the schools land and buildings on its balance sheet where it directly owns the assets.
- Where the land and building assets used by the school are owned by an entity other than the council, (e.g. local diocese) then it is not included on the council's balance sheet. The exception is where the entity has transferred the rights of use of the asset to the council, school or school governing body (e.g. Foundation Trusts).
- The council has completed a school by school assessment across the different types of schools it controls within the borough. Judgements have been made to determine the arrangements in place and the accounting treatment of the land and building assets.
- All community schools are owned by the council and the land and buildings used by the schools are included on the council's balance sheet.
- Legal ownership of voluntary controlled school land and buildings usually rests with a charity, normally a religious body. However the council receives capital funding for these assets and the school land and buildings are included on the balance sheet.
- Foundation trust schools were created to give greater freedom to the Governing Body responsible for school staff appointments and who also set the admission criteria. For a foundation school, the school governing body has legal ownership of the land and buildings and the council receives capital funding for these assets and are included on the council's balance sheet.
- Legal ownership of the voluntary aided school land and buildings rests with the relevant diocese. The relevant diocese has granted a licence to the school to use the land and buildings. Under this licence arrangement, the rights of use of the land and buildings have not transferred to the school and are not included on the council's balance sheet.
- Academies are not considered to be maintained schools in the council's control. The land and building assets are not owned by the council and not included on the council's balance sheet.

3. Assumptions made about the future and other major sources of estimation uncertainty

The statement of accounts contains estimated figures that are based on assumptions made by the council about the future, or are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the council's balance sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Provisions – note 34	The council has made a provision of £7.498m for Business Rate appeals.	An increase/decrease over the forthcoming year of 5% of the estimated average settlement would have the effect of increasing or decreasing by £0.375 million the provision needed.
Pensions Liability – note 14	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the pension fund and fund member organisations with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For details on sensitivity for pension schemes please refer to page 61.
Arrears – note 31	At 31 March 2019, the council had a sundry debtor balance of £6.724m. A review of significant balances suggested that an allowance for expected credit losses of 15.55% (£1.045 million) was appropriate. However, in the current economic climate it is not certain that such an allowance will be sufficient.	If collection rates were to deteriorate, a 5% change in rates for the allowance for expected credit losses would increase or decrease by £0.355 million the amount to set aside as an allowance respectively.
Property, Plant and Equipment (PPE) – note 19	The length of time over which PPE assets are fully depreciated is set out in the accounting policies section of the statement. This is based on an average life span of each asset. However, in practice, assets may depreciate at different rates and so there is the possibility that the depreciation charged to some assets may not be in line with observed asset lives between revaluations. Revaluation of PPE assets are based upon a number of valuer assumptions which are subject to valuer bias and only represent a snapshot in time.	It is estimated that the annual depreciation charge for buildings would increase/decrease by £0.377 million if depreciation rates globally change by 5%. If a change in valuer assumptions resulted in a 1% change in PPE values this would equate to an increase/decrease of £3.738 million.

4. Related parties

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

Central Government

Central Government has effective control over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the CIES on page 28. Grant receipts for 2018/19 are shown in note 17.

Local Government

Walsall Council is a constituent member of the West Midlands Combined Authority (WMCA) which came into existence in June 2016. The WMCA consists of seven constituent members, eight non-constituent members and four observer members. Only constituent members have the right to vote on authority activities. No member has a controlling interest in the WMCA. Walsall council does receive grants from WMCA so that it can deliver services to fulfil WMCA objectives. These are included within the CIES and note 17.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in note 9. During 2018/19, £0.198m of works and services were commissioned from companies in which members had declared an interest. In addition, the council paid grants totalling £0.894 million to voluntary organisations and associations including some where members had positions on the governing body. The grants were made with proper consideration of declarations of interest. The register of members' interest is open to public inspection at the Civic Centre during office hours or can be viewed on the council's website.

Officers

Council officers are required to declare any interest under section 117 of the Local Government Act 1972. There were no significant transactions between the council and its Executive Directors, Heads of Service, and other related parties during the year.

Other public bodies (subject to common control by central government)

The council has a pooled budget arrangement with Walsall NHS CCG for an integrated health and social care service for adults with learning difficulties and a Better Care Fund (BCF). Transactions and balances outstanding are detailed in note 8.

Entities controlled or significantly influenced by the council

West Midlands Growth Company Ltd

Walsall Council are part owners of West Midlands Growth Company Ltd (WMGCL) along with the WMCA and the other six West Midlands Councils. The WMGC was formed in April 2017 as a new economic development and investment body at the request of the West Midlands Combined Authority to support delivery of Strategic Economic Plan targets, such as more jobs for the region, and facilitate the growth of the region's economy. There were no transactions between the WMGCL and Walsall Council in 2018/19.

West Midlands Rail Ltd

Walsall Council are part owners of West Midlands Rail Ltd (WMRL) along with WMCA, the other six West Midlands Councils, Northamptonshire County Council, Herefordshire Council, Shropshire Council, Staffordshire County Council, Borough of Telford and Wrekin, Warwickshire County Council and Worcestershire County Council. As the seven West Midlands Councils (including Walsall) are not Local Transport Authorities they are associate full members with their voting rights held by the WMCA as the Local Transport Authority for the West Midlands Conurbation. West Midlands Rail was created with the purpose of specifying and managing rail franchising for the West Midlands. There were no transactions between the WMRL and Walsall Council in 2018/19.

5. Note to the CIES

The following table provides further information for other operating expenditure, financing and investment income & expenditure and taxation and other non-specific income shown in the CIES on page 28.

2017/18 £m		2018/19 £m
	Other operating expenditure	
12.141	Levies	11.241
0.002	Payments to the capital housing receipts pool	0.001
(0.867)	(Gains) and losses on the disposal of fixed assets	(0.278)
11.276	**Total**	**10.964**
	Financing and investment income and expenditure	
11.972	Interest payable and similar charges	15.309
15.608	Net interest on the net defined benefit liability (Note 14)	13.498
(1.711)	Interest income	(2.308)
(1.717)	Income, expenditure and changes in fair value of investment properties	8.462
0.000	(Gain)/loss on financial instruments	0.724
(2.074)	Other investment income (Note 29)	(2.196)
22.078	**Total**	**33.489**
	Taxation and non-specific grant income	
(110.030)	Council tax income	(116.653)
(102.891)	NDR distribution	(97.258)
(12.962)	All capital grants and contributions (Note 17)	(39.234)
(38.443)	Non-ringfenced government grants (Note 17)	(34.874)
(264.326)	**Total**	**(288.019)**

The increase in capital grants and contributions is due to an increase in Education capital grants of approximately £20m between years.

The change in income, expenditure and changes in fair value of investment properties reflect the annual valuations on these. It reflects current market conditions, such as the ongoing pressure on the retail sector, and resulted in a reduction in the overall balance.

Further information on council tax and NDR can be found on page 102.

6. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the council (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the council in accordance with generally accepted accounting practices. The expenditure and funding analysis also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

2017/18						2018/19				
As reported for resource management £m	Adjustment to arrive at the net amount funded from General Fund £m	Net expenditure funded from general fund £m	Adjustments between Funding and Accounting £m	Net expenditure as per CIES (accounting basis) £m		As reported for resource management £m	Adjustment to arrive at the net amount funded from General Fund £m	Net expenditure funded from general fund £m	Adjustments between Funding and Accounting £m	Net expenditure as per CIES (accounting basis) £m
47.150	10.746	**57.896**	14.886	**72.782**	Economy and Environment	**61.980**	(3.570)	**58.410**	19.502	**77.912**
67.240	(0.531)	**66.709**	1.024	**67.733**	Adult Social Care	**63.810**	(2.692)	**61.118**	0.451	**61.569**
101.550	(42.406)	**59.144**	44.442	**103.586**	Childrens Services	**71.680**	(8.843)	**62.837**	10.975	**73.812**
14.190	4.998	**19.188**	(0.841)	**18.347**	Resources and Transformation	**20.390**	(3.337)	**17.053**	5.875	**22.928**
(121.890)	135.037	**13.147**	(10.542)	**2.605**	Central	**(103.810)**	140.111	**36.301**	(14.007)	**22.294**
108.240	**107.844**	**216.084**	**48.969**	**265.053**		**114.050**	**121.669**	**235.719**	**22.796**	**258.515**
(108.470)	(108.936)	**(217.406)**	(13.566)	**(230.972)**	Other income and expenditure	**0.000**	(236.162)	**(236.162)**	(7.404)	**(243.566)**
(0.230)	**(1.092)**	**(1.322)**	**35.403**	**34.081**	**Total cost of providing council services**	**114.050**	**(114.493)**	**(0.443)**	**15.392**	**14.949**
		(13.904)			**Opening general fund balance**			**(15.226)**		
		(15.226)			**Closing general fund balance**			**(15.669)**		

Note to Expenditure and Funding Analysis

This note details the adjustments made to move the Comprehensive Income and Expenditure Statement from the statutory accounting basis to that used to for setting council tax.

2017/18								2018/19						
Use of reserves £m	Other changes £m	Adjustment to arrive at the net amount funded from General Fund £m	Adjustments for capital purposes £m	Net change for the Pensions adjustments £m	Other Adjustments £m	Adjustments between Funding and Accounting basis £m		Use of reserves £m	Other changes £m	Adjustment to arrive at the net amount funded from General Fund £m	Adjustments for capital purposes £m	Net change for the Pensions adjustments £m	Other Adjustments £m	Adjustments between Funding and Accounting basis £m
1.139	9.607	**10.746**	14.142	0.744	0.000	**14.886**	Economy and Environment	1.405	(4.976)	**(3.571)**	18.842	0.660	0.000	**19.502**
(0.532)	0.001	**(0.531)**	0.672	0.352	0.000	**1.024**	Adult Social Care	(4.071)	1.379	**(2.692)**	0.156	0.295	0.000	**0.451**
1.467	(43.873)	**(42.406)**	39.382	4.562	0.498	**44.442**	Children and Young People	4.951	(13.794)	**(8.843)**	9.119	2.604	(0.748)	**10.975**
0.196	4.802	**4.998**	(1.550)	0.709	0.000	**(0.841)**	Resources & Transformation	3.306	(6.644)	**(3.338)**	5.216	0.659	0.000	**5.875**
(22.788)	157.825	**135.037**	(6.859)	(3.683)	0.000	**(10.542)**	Central	(5.603)	135.511	**129.908**	(11.895)	(2.112)	0.000	**(14.007)**
(20.518)	**128.362**	**107.844**	**45.787**	**2.684**	**0.498**	**48.969**		**(0.012)**	**111.476**	**111.464**	**21.438**	**2.106**	**(0.748)**	**22.796**
20.518	(129.454)	**(108.936)**	(14.764)	15.608	(14.410)	**(13.566)**	Other income and expenditure	0.012	(111.479)	**(111.467)**	(30.760)	23.700	(0.344)	**(7.404)**
0.000	**(1.092)**	**(1.092)**	**31.023**	**18.292**	**(13.912)**	**35.403**	**Total cost of providing council services**	**0.000**	**(0.003)**	**(0.003)**	**(9.322)**	**25.806**	**(1.092)**	**15.392**

Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- Financing and investment income and expenditure – the statutory charges for capital financing i.e. minimum revenue provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

- For financing and investment income and expenditure –- the net interest on the defined benefit liability is charged to the CIES.

Other Adjustments

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

7. Note to Movement in Reserves Statement

This note details the adjustments made to total comprehensive income and expenditure recognised by the council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure.

2017/18				2018/19		
Movement in general fund balance £m	Movement in other usable reserves £m	Movement in unusable reserves £m		Movement in general fund balance £m	Movement in other usable reserves £m	Movement in unusable reserves £m
			Adjustments to revenue resources			
(18.292)	0.000	18.292	Pensions costs	(25.807)	0.000	25.807
0.000	0.000	0.000	Financial instruments (transferred to the Financial Instruments Adjustments Account)	(0.724)	0.000	0.724
(6.108)	0.000	6.108	Council tax and NDR statutory adjustments	0.559	0.000	(0.559)
(0.498)	0.000	0.498	Accumulated Holiday Pay	0.748	0.000	(0.748)
(51.082)	0.000	51.082	Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(45.044)	0.000	45.044
(75.980)	**0.000**	**75.980**		**(70.268)**	**0.000**	**70.268**
			Adjustments between revenue and capital resources			
2.156	(2.156)	0.000	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1.899	(1.899)	0.000
(0.002)	0.002	0.000	Payments to the government housing receipts pool	(0.001)	0.001	0.000
2.009	0.000	(2.009)	Statutory provision for the repayment of debt	11.258	0.000	(11.258)
2.934	0.000	(2.934)	Capital expenditure financed from revenue balances	2.249	0.000	(2.249)
7.097	**(2.154)**	**(4.943)**		**15.405**	**(1.898)**	**(13.507)**
			Adjustments to capital resources			
0.000	2.226	(2.226)	Use of the Capital Receipts Reserve to finance capital expenditure	0.000	1.977	(1.977)
12.962	2.400	(15.362)	Application of capital grants to finance capital expenditure	39.234	(22.416)	(16.818)
0.000	(1.009)	1.009	Cash payments in relation to deferred capital receipts	0.000	(0.002)	0.002
12.962	**3.617**	**(16.579)**	**Total adjustments to capital resources**	**39.234**	**(20.441)**	**(18.793)**
20.518	(20.518)	0.000	Transfers to/(from) earmarked reserves (Note 35)	0.512	(0.512)	0.000
(35.403)	**(19.055)**	**54.458**	**Total adjustments**	**(15.117)**	**(22.851)**	**37.968**

8. Better Care Fund

Walsall Council has entered into a pooled budget arrangement in relation to the Better Care Fund (BCF) with Walsall NHS CCG for the provision of adult social care and health services to meet the needs of people living in the Walsall area. The services are commissioned by Walsall Council or Walsall NHS CCG depending upon the needs of the client and are provided by a number of methods including internal, external and voluntary sector organisations. Walsall Council and Walsall NHS CCG have an agreement in place for funding these services that will run for one year, with the partners agreeing to the programme of services that will be funded. As part of the agreement any deficit or surplus arising on the pooled budget at the end of each financial year will be apportioned based on the risk share agreement (based on lead commissioner), with the exception of the Integrated Community Equipment Service (ICES) which will continue to be based on the contributions from each partner. The pooled budget is hosted by Walsall Council on behalf of the two partners in the agreement.

2017/18			Better Care Fund 2018/19	2018/19		
Capital £m	Revenue £m	Total £m		Capital £m	Revenue £m	Total £m
0.000	**0.000**	**0.000**	**Funding brought forward from previous year**	**(0.260)**	**(1.904)**	**(2.164)**
			Funding provided to the pooled budget			
(3.473)	0.000	(3.473)	By Walsall Council	(3.832)	0.000	(3.832)
0.000	(27.092)	(27.092)	By Walsall NHS CCG	0.000	(31.811)	(31.811)
(3.473)	**(27.092)**	**(30.565)**		**(3.832)**	**(31.811)**	**(35.643)**
			Expenditure met from the pooled budget			
3.213	13.404	16.617	By Walsall Council	4.263	17.396	21.659
0.000	11.599	11.599	By Walsall NHS CCG	0.000	13.365	13.365
3.213	**25.003**	**28.216**		**4.263**	**30.760**	**35.024**
(0.260)	**(2.089)**	**(2.349)**	**Net (surplus) / deficit on the pooled budget during the year**	**0.171**	**(2.955)**	**(2.784)**
0.260	**1.904**	**2.164**	**Carry forwards into next year**	**(0.171)**	**2.835**	**2.664**
0.000	**(0.185)**	**(0.185)**	**Net (surplus) / deficit on the pooled budget during the year (after carry forwards)**	**(0.000)**	**(0.120)**	**(0.120)**
			Agreed risk share on the pooled budget during the year			
		(0.056)	By Walsall Council			0.200
		(0.129)	By Walsall NHS CCG			(0.320)
		(0.185)				**(0.120)**

9. Members allowances

The council paid £0.717 million of basic allowances (2017/18 £0.705 million) and £0.204 million of special responsibility payments (2017/18 £0.203 million) to members during the year. Additional expenses of £0.002 million were also paid in 2018/19 (2017/18 £0.002 million).

10. Officers' remuneration

The remuneration paid to the council's management team and statutory officers:

		Salary, fees and allowances £	Contractor Costs £	Expenses allowances £	Pension contribution £	Total £
Chief Executive 1 (Dr Helen Paterson)	2018/19	191,876	0	295	0	**192,171**
	2017/18	123,256	0	62	0	**123,318**
Chief Executive 2 (Paul Sheehan)	2018/19	0	0	0	0	**0**
	2017/18	66,945	0	87	0	**67,032**
Executive Director - Change and Governance	2018/19	0	0	0	0	**0**
	2017/18	0	127,251	0	0	**127,251**
Executive Director - Resources & Transformation/Section 151 Officer	2018/19	135,492	0	9	0	**135,501**
	2017/18	4,233	0	0	652	**4,885**
Executive Director 1 - Children's Services	2018/19	0	0	0	0	**0**
	2017/18	42,279	0	35	5,917	**48,231**
Executive Director 2 - Children's Services	2018/19	137,785	0	0	23,286	**161,070**
	2017/18	40,525	0	0	6,241	**46,766**
Executive Director - Social Care	2018/19	131,522	0	(86)	22,227	**153,663**
	2017/18	121,123	0	164	18,653	**139,940**
Executive Director - Economy & Environment	2018/19	131,522	0	(14)	22,227	**153,736**
	2017/18	121,123	0	184	18,653	**139,960**
Assistant Director - Finance - Section 151 officer	2018/19	0	0	0	0	**0**
	2017/18	91,783	0	33	14,135	**105,951**
Head of Legal and Democratic Services - Monitoring Officer	2018/19	96,358	0	13	16,285	**112,656**
	2017/18	95,105	0	20	14,646	**109,771**
Director of Public Health	2018/19	106,466	0	0	15,288	**121,754**
	2017/18	104,655	0	0	14,956	**119,611**

Chief Executive

Please note there is only one post of Chief Executive, however due to changes this post was occupied by 2 individuals during the 2017/18 financial year and 1 individual during the 2018/19 financial year.

- Chief Executive 1 covered the period 13.11.2017 to 31.03.2019.
- Chief Executive 2 covered the period 01.04.2017 to 12.11.2017.

Assistant Director of Finance - Section 151 Officer

The post of Assistant Director - Finance was vacated on 18/03/2018 and section 151 Officer duties transferred to the post of Executive Director Resources and Transformation.

Executive Director – Change and Governance/ Resources and Transformation

The Executive Director Change and Governance was held by an interim manager contracted through an interim management agency and was vacated on 20.11.2017. The costs shown are the full fees paid to the interim management agency, not a payment to the individual. Due to changes, this post was deleted and replaced by the Executive Director Resources and Transformation and this post became occupied 19.03.2018 to 31.03.2019.

Executive Director – Children's Services

Please note there is only one post of Executive Director – Children's Services, however due to changes this post was occupied by 2 individuals during the 2017/18 financial year and 1 individual during the 2018/19 financial year.

- Executive Director 1 Children's Services covered the period 01.04.2017 to 25.07.2017.
- Executive Director 2 Children's Services covered the period 13.11.2017 to 31.03.2019.

Other council employees who receive more than £50,000 remuneration (excluding pension contributions) during the year are shown in the following tables. Teachers have been split into two categories due to their employment status. Teachers at community and voluntary controlled (VC) schools are directly employed by the council. Teachers at foundation and voluntary aided (VA) schools are employed by the governing body of the school, and as such are not direct employees of the council.

Remuneration band	Council officers		Teachers - community / VC schools		Teachers - foundation / VA schools		Total	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£50,000 - £54,999	24	26	45	37	7	6	**76**	**69**
£55,000 - £59,999	17	6	28	34	16	13	**61**	**53**
£60,000 - £64,999	15	21	15	20	9	9	**39**	**50**
£65,000 - £69,999	8	5	17	15	3	4	**28**	**24**
£70,000 - £74,999	11	10	8	10	1	1	**20**	**21**
£75,000 - £79,999	0	10	4	8	2	2	**6**	**20**
£80,000 - £84,999	2	1	3	3	1	2	**6**	**6**
£85,000 - £89,999	1	1	0	1	1	2	**2**	**4**
£90,000 - £94,999	5	5	2	1	1	0	**8**	**6**
£95,000 - £99,999	0	1	0	0	0	0	**0**	**1**
£100,000 - £104,999	0	0	1	0	1	0	**2**	**0**
£105,000 - £109,999	0	0	0	1	0	1	**0**	**2**
Total	**83**	**86**	**123**	**130**	**42**	**40**	**248**	**256**

11. Exit packages

The numbers of exit packages with total cost per band, and total cost of compulsory and other redundancies are set out in the following table.

Exit Package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£							£m	£m
0 - 20,000	68	62	198	126	266	188	1.389	1.010
20,001 - 40,000	6	10	35	11	41	21	1.150	0.581
40,001 - 60,000	0	1	12	13	12	14	0.613	0.653
60,001 - 80,000	0	1	7	4	7	5	0.473	0.323
80,001 - 100,000	0	1	1	3	1	4	0.093	0.355
100,001 - 150,000	1	1	3	4	4	5	0.478	0.621
150,000 - 200,000	0	1	1	1	1	2	0.168	0.371
Total	**75**	**77**	**257**	**162**	**332**	**239**	**4.364**	**3.914**

12. Termination benefits

The council terminated the contracts of a number of employees in 2018/19, incurring liabilities of £3.438 million (£4.157 million in 2017/18), which is included within the costs shown in the exit packages table above. Included within these amounts are payments for various school based staff and council employees.

13. Pension scheme accounted for as defined contribution

Teachers employed by the council are members of the Teachers' Pension Scheme, administered by the Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2018/19, the council paid £8.414 million to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2017/18 were £8.207 million and 16.48%. There were no contributions remaining payable at the year-end.

The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 14.

Employees who were transferred over from the NHS to the council on 1 April 2013 for the Public Health function were entitled to remain on the NHS pension scheme. This scheme is administered by NHS Pensions and provides employees with specified benefits upon their retirement. The council contributes towards the costs by making contributions based on a percentage of member's pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department of Health uses a notional fund as the basis for calculating the employers' contribution rate paid by employers. The council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2018/19, the council paid £0.096 million to NHS Pensions in respect of Public Health staff retirement benefits, representing 14.38% of pensionable pay. The figures for 2017/18 were £0.097 million and 14.38%.

14. Defined benefit pension schemes

Participation within pension schemes

As part of the terms and conditions of employment of its officers, the council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments necessary at the time that employees earn their future entitlement.

The council participates in one post-employment scheme, the Local Government Pension Scheme (LGPS), administered locally by Wolverhampton City Council. This is a funded defined benefit final scheme meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The LGPS is now a career average scheme for benefits built up from 1 April 2014 meaning that the employer and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Policy is determined in accordance with the LGPS Regulations.

Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. The council makes little use of discretionary payments.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the general fund the amounts required by statute as described in the accounting policies note.

Transactions relating to post-employment benefits

The council recognises the cost of retirement benefits in the reported 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 post-employment/retirement benefits is reversed out of the general fund via the Movement in Reserves Statement. The following transactions have been made in the CIES and the General Fund balance via the Movement in Reserves Statement during the year.

2017/18			2018/19	
Local Government Pension Scheme £m	Unfunded teachers £m		Local Government Pension Scheme £m	Unfunded teachers £m
		Comprehensive income and expenditure statement		
		Cost of service:		
36.427	0.000	Current service cost	35.719	0.000
2.152	0.000	Past service costs	11.467	0.000
(2.452)	0.000	(Gain)/Loss from settlements	(0.029)	0.000
		Financing and investment income and expenditure:		
15.320	0.288	Net interest expense (inc. Admin expenses)	13.170	0.328
51.447	**0.288**	**Total post employment benefit charged to the surplus or deficit on the provision of services**	**60.327**	**0.328**
		Other post employment benefit charged to the comprehensive income and expenditure statement		
(4.737)	0.000	Return on plan assets (excluding the amount included in the net interest expense)	(10.487)	0.000
0.000	0.000	Remeasurement (gains)/losses arising on changes in demographic assumptions	(79.874)	(0.758)
(52.091)	(0.562)	Remeasurement (gains)/losses arising on changes in financial assumptions	50.408	0.383
0.000	(0.836)	Experience (gain)/loss on defined benefit obligation	0.000	0.000
0.000	0.000	Other actuarial (gains)/losses on assets	0.000	0.000
(5.381)	**(1.110)**	**Total post employment benefit charged to the comprehensive income and expenditure statement**	**20.374**	**(0.047)**
		Movement in reserves statement		
(19.247)	0.955	Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	(26.710)	0.903
		Actual amount charged against the general fund balance for pensions in the year:		
32.200		Employers' contributions payable to scheme	33.617	
	1.243	Retirement benefits payable to pensioners		1.231

The assumptions used for the actuarial calculations are volatile and this has resulted in the significant movements shown in the above table.

Assets and liabilities in relation to post-employment benefits

The amount included in the balance sheet arising from the council's obligation in respect of its defined benefit plans is as follows.

2017/18 £m		2018/19 £m
(1,439.981)	Present value of defined benefit obligation	(1,455.307)
924.151	Fair value of plan assets	923.798
(515.830)	**Net pension liability arising from defined benefit obligation**	**(531.509)**

Reconciliation of fair value of the scheme assets

Local Government Pension Scheme		Local Government Pension Scheme
2017/18 £m		**2018/19 £m**
843.513	Opening balance at 1 April	924.151
23.496	Interest on assets	23.140
4.737	Return on assets less interest	10.487
0.000	Other actuarial gains/(losses)	0.000
(0.371)	Administration expenses	(0.408)
(2.266)	Settlement prices received / (paid)	(0.054)
93.900	Employer contributions	3.417
6.150	Member contributions	6.422
(45.008)	Estimated benefits paid net of transfers in	(43.357)
924.151	**Closing balance at 31 March**	**923.798**

The council made an upfront payment to the Local Government Pension Scheme in 2017/18 for the period 2017/18 to 2019/20. This accounts for the large change between 2017/18 and 2018/19 for employer contributions. Until the upfront payment unwinds in 2019/20 the council's pension reserve will not match its net pension liability. In 2018/19 this difference, £31.500 million, represents the value of the remaining upfront payment due to be released into the council's accounts in 2019/20.

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

2017/18			2018/19	
Local Government Pension Scheme £m	Unfunded teachers £m		Local Government Pension Scheme £m	Unfunded teachers £m
(1,444.343)	(16.634)	Opening balance at 1 April	(1,425.700)	(14.281)
(36.427)	0.000	Current service cost	(35.719)	0.000
(38.445)	(0.288)	Interest cost	(35.902)	(0.328)
(6.150)	0.000	Member contributions	(6.422)	0.000
		Remeasurements (liabilities)		
52.091	0.562	Gain/(Loss) on financial assumptions	(50.408)	(0.383)
0.000	0.000	Gain/(Loss) on demographic assumptions	79.874	0.758
0.000	0.836	Experience gain/(Loss)	0.000	0.000
45.008	1.243	Estimated benefits paid net of transfers in	43.357	1.231
(2.152)	0.000	Past service costs including Curtailments	(11.467)	0.000
4.718	0.000	(Liabilities assumed) / extinguished on settlements	0.083	0.000
(1,425.700)	**(14.281)**	**Closing balance at 31 March**	**(1,442.304)**	**(13.003)**

Basis for estimating assets and liabilities

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 including mortality rates and salary levels.

Both the local government pension scheme and discretionary benefit liabilities have been estimated by Barnett Waddingham LLP, an independent actuary firm with estimates being based on the latest full valuation of the scheme as at 31 March 2016. The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Teachers Pension Scheme	
	2017/18	2018/19	2017/18	2018/19
Mortality assumptions:				
<u>Longevity retiring today</u>				
- Men	21.9	20.9	21.9	20.9
- Women	24.3	23.2	24.3	23.2
<u>Longevity retiring in 20 years</u>				
- Men	24.00	22.60	n/a	n/a
- Women	26.60	25.00	n/a	n/a
Rate of inflation (CPI)	2.35%	2.40%	2.35%	2.50%
Rate of increase in salaries	3.85%	3.90%	n/a	n/a
Rate of increase in pensions	2.35%	2.40%	2.35%	2.50%
Rate for discounting scheme liabilities	2.55%	2.40%	2.40%	2.20%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above for the pension fund deficit. The sensitivity analysis below is based on possible changes to the assumptions occurring at the end of the reporting period. It assumes that for each assumption that changes all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity analysis - Local Government Pension Scheme	£m	£m	£m
Adjustment to discount rate	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	1,415.761	1,442.304	1,468.333
Projected service cost	35.173	36.012	36.870
Adjustment to Long term salary increase	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	1,444.829	1,442.304	1,439.797
Projected service cost	36.012	36.012	36.012
Adjustment to pension increases and deferred revaluation	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	1,465.783	1,442.304	1,419.244
Projected service cost	36.870	36.012	35.173
Adjustment to life expectancy assumptions	**+1 Year**	**None**	**-1 Year**
Present value of total obligation	1,389.631	1,442.304	1,389.631
Projected service cost	37.160	36.012	34.898

Sensitivity analysis - Unfunded Teachers	£m	£m	£m
Adjustment to discount rate	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	12.893	13.003	13.115
Projected service cost	0.000	0.000	0.000
Adjustment to pension increases and deferred revaluation	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	13.115	13.003	12.893
Projected service cost	0.000	0.000	0.000
Adjustment to life expectancy assumptions	**+1 Year**	**None**	**-1 Year**
Present value of total obligation	13.602	13.003	12.431
Projected service cost	0.000	0.000	0.000

The unfunded pensions arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2017/18		2018/19	
	£m	%	£m	%
Equities	566.833	61.4%	546.014	59.1%
Government bonds	68.633	7.4%	88.748	9.6%
Other bonds	35.445	3.8%	35.595	3.9%
Property	73.059	7.9%	78.463	8.5%
Cash/liquidity	59.845	6.5%	29.256	3.2%
Other	120.336	13.0%	145.721	15.8%
Total	**924.151**	**100.0%**	**923.797**	**100.1%**

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 18 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2019 to be reported from 2019/20.

The scheme takes into account the national changes to the scheme under the Public Pensions Services Act 2013. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority expects in 2019/20 to pay no additional contributions to the scheme for 2018/19 due to the advance payments made in April 2017 for the years 2017/18, 2018/19 and 2019/20. The council will however release the advance contribution made in 2017/18 for 2019/20 from its balance sheet of £31.500m.

The weighted average duration of the defined benefit obligation for scheme members is 18 years, 2018/19 (18 years 2017/18).

15. External audit costs

The council incurred costs of £0.110 million (£0.150 million 2017/18) for fees related to external audit services and £0.013 million (£0.014 million 2017/18) for fees incurred for the certification of grant claims and returns. These services were carried out by Grant Thornton UK LLP the council's appointed auditor in 2018/19, and Ernst & Young LLP the council's appointed auditor in 2017/18.

16. Dedicated schools grant

The council's expenditure on schools is funded by the Dedicated Schools Grant (DSG), provided by the Department for Education. DSG is ring-fenced and can only be applied to meet eligible expenditure included in the schools budget. The schools budget includes elements for a restricted range of services provided on a council wide basis and 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. Details of DSG receivable for 2018/19 which has been deployed in accordance with the School Standards and Framework Act 1998 are shown in the following table.

2017/18			Dedicated Schools Grant (DSG)	2018/19		
Central Expenditure £m	ISB £m	Total £m		Central Expenditure £m	ISB £m	Total £m
(12.335)	(234.369)	(246.704)	Final DSG for year before Academy recoupment	(12.895)	(245.003)	(257.898)
0.000	99.729	99.729	Academy figure recouped	0.000	105.866	105.866
(12.335)	**(134.640)**	**(146.975)**	**Total DSG after Academy recoupment**	**(12.895)**	**(139.137)**	**(152.032)**
(8.331)	(3.654)	(11.985)	Plus brought forward from previous year	(12.531)	1.835	(10.696)
(20.666)	**(138.294)**	**(158.960)**	**Agreed initial budgeted distribution in year**	**(25.426)**	**(137.302)**	**(162.728)**
0.000	0.000	0.000	In Year adjustments	0.000	0.000	0.000
(20.666)	**(138.294)**	**(158.960)**	**Agreed final budgeted distribution in year**	**(25.426)**	**(137.302)**	**(162.728)**
8.135	0.000	8.135	Less actual central expenditure	7.448	0.000	7.448
0.000	140.129	140.129	Less actual ISB deployed to schools	0.000	149.176	149.176
(12.531)	**1.835**	**(10.696)**	**Carry forward to next year**	**(17.978)**	**11.874**	**(6.105)**

17. Grant income

The council credited the following grants, contributions and donations to the CIES in 2018/19:

2017/18 £m	Revenue grants	2018/19 Government Grants £m	2018/19 Other grants £m	2018/19 Total £m
	Credited to taxation and non specific grant income			
(1.939)	Troubled Families Grant	(1.039)	0.000	(1.039)
(1.595)	Street Lighting PFI grant	(1.595)	0.000	(1.595)
(0.771)	Education Services Grant	0.000	0.000	0.000
(4.784)	New Homes Bonus	(3.637)	0.000	(3.637)
(6.280)	Small Business Rates Relief	(6.381)	0.000	(6.381)
(3.689)	New Burdens Funding	(3.736)	0.000	(3.736)
(0.240)	Adult Personal Social Services	0.000	0.000	0.000
(0.861)	Independent Living Fund	(0.834)	0.000	(0.834)
(18.119)	Public Health Grant	(17.653)	0.000	(17.653)
(32.569)	NDR Top Up	(25.832)	0.000	(25.832)
(0.165)	Other	0.000	0.000	0.000
(71.012)	**Total**	**(60.707)**	**0.000**	**(60.707)**
	Credited to services			
(1.351)	Arts Council Funding	(1.355)	0.000	(1.355)
(1.270)	Housing benefits administration subsidy grant	(1.182)	0.000	(1.182)
(102.817)	Housing benefits rent allowances grant	(96.430)	0.000	(96.430)
(0.380)	Housing benefit non Housing Revenue Account (HRA) rebates	(0.747)	0.000	(0.747)
(1.100)	Discretionary Housing Payments	(1.070)	0.000	(1.070)
(0.536)	Local Council Tax Scheme Admin Grant	(0.500)	0.000	(0.500)
(146.975)	Dedicated Schools Grant	(152.032)	0.000	(152.032)
(3.206)	Sixth form funding grant	(2.767)	0.000	(2.767)
0.000	Teachers Pay Grant	(0.559)	0.000	(0.559)
(2.552)	Universal Infant Free Schools Meals	(2.761)	0.000	(2.761)
0.000	Free School Meals Supplementary Grant	(0.719)	0.000	(0.719)
(0.345)	Unaccompanied Asylum Seeking Children Grant	(0.363)	0.000	(0.363)
0.000	Rough Sleeper Initiative Grant	(0.366)	0.000	(0.366)
(0.384)	Youth Justice Service	0.000	(0.384)	(0.384)
(11.181)	Pupil Premium	(11.335)	0.000	(11.335)
(0.773)	St Thomas More PFI Grant	(0.773)	0.000	(0.773)
(19.673)	Better Care Fund	(21.774)	0.000	(21.774)
(7.419)	Improved Better Care Fund	(10.037)	0.000	(10.037)
(7.900)	Section75 CCG Agreement	(8.719)	0.000	(8.719)
0.000	Winter Funding Grant	(1.432)	0.000	(1.432)
0.000	Controlling Migration Grant	(0.608)	0.000	(0.608)
0.000	Black Country Impact	0.000	(0.708)	(0.708)
0.000	Integrated Communities Programme	(0.918)	0.000	(0.918)
0.000	VIEW Grant	0.000	(0.451)	(0.451)
(1.438)	Adult Social Care Support Grant	(0.895)	0.000	(0.895)
(0.500)	LEP Funding	0.000	(0.500)	(0.500)
(0.453)	Electoral services grants	(0.042)	0.000	(0.042)
(0.358)	PCC crime and community grants	(0.125)	0.000	(0.125)
(1.058)	Education Funding Agency PE & sports grants	(1.342)	0.000	(1.342)
(1.541)	Other	(2.170)	(0.448)	(2.618)
(313.210)	**Total**	**(321.021)**	**(2.491)**	**(323.512)**
(384.222)	**Total Revenue Grants**	**(381.728)**	**(2.491)**	**(384.219)**

Non-ringfenced government grants of £34.874 million (note 5) do not include NDR Top Up included within the £60.707 million total above. NDR Top Up is included in NDR Distribution (note 5).

In accordance with its grant conditions Walsall Council has fully utilised Arts Council grants received by it in 2018/19.

2017/18 £m	Capital grants	2018/19 £m
	Credited to taxation and non specific grant income	
(0.287)	Devolved Formula Capital	(1.455)
(3.023)	Department for Education	(22.882)
(0.395)	Housing specific	0.140
(3.747)	West Midlands Strategic Plan	(3.542)
(3.290)	Department for Transport grants	(1.472)
(0.728)	s106 contributions	(0.262)
0.000	National Productivity Investment Fund	(1.689)
(0.696)	Growth Deal	(7.784)
(0.796)	Other	(0.288)
(12.962)	**Total**	**(39.234)**
	Credited to services	
(0.248)	Devolved Formula Capital	0.000
(2.580)	Department for Education	(0.960)
(30.568)	Growth Deal	(11.744)
(3.213)	Disabled Facility Grants	(4.004)
(0.060)	Other	0.019
(36.669)	**Total**	**(16.689)**
(49.631)	**Total capital grants**	**(55.923)**

18. Events after the balance sheet date

The statement of accounts were authorised for issue by the Chief Financial Officer on 22 July 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Following a review there are no disclosures to be made in accordance with IAS 10 – Events After the Reporting Period.

19. Property, plant and equipment

Movement on balances

Movements in the council's property, plant and equipment values are shown in the following table.

	Operational land and buildings £m	Vehicles, plant and equipment £m	Infrastructure £m	Community assets £m	Surplus assets £m	Total £m
Net book value 31 March 2017	**391.832**	**7.164**	**89.188**	**3.564**	**4.961**	**496.709**
Additions	11.014	2.201	11.355	0.508	2.973	**28.051**
Revaluations	(23.892)	0.000	0.000	0.000	(0.077)	**(23.969)**
Disposals/derecognition of assets	(0.105)	(0.089)	0.000	0.000	0.000	**(0.194)**
Reclassification of assets	(0.723)	0.000	0.000	0.000	0.000	**(0.723)**
Depreciation	(9.116)	(2.458)	(6.646)	0.000	(0.007)	**(18.227)**
Impairments	(3.073)	(0.234)	(1.642)	(0.209)	(0.008)	**(5.166)**
Other movements	(0.226)	0.000	0.000	0.000	0.218	**(0.008)**
Net book value 31 March 2018	**365.711**	**6.584**	**92.255**	**3.863**	**8.060**	**476.473**
Transfer of assets from Investment Properties	7.162	0.000	0.000	0.000	0.000	**7.162**
Revised net book value 31 March 2018	**372.873**	**6.584**	**92.255**	**3.863**	**8.060**	**483.635**
Additions	13.387	4.405	13.770	0.378	0.525	**32.465**
Revaluations	(14.137)	0.000	0.000	0.000	(0.013)	**(14.150)**
Disposals/derecognition of assets	0.000	(0.328)	0.000	0.000	0.000	**(0.328)**
Reclassification of assets	0.000	0.000	0.000	0.000	1.934	**1.934**
Depreciation	(7.510)	(3.033)	(7.144)	0.000	(0.037)	**(17.724)**
Impairments	(1.257)	0.000	(1.020)	(0.375)	(0.024)	**(2.676)**
Other movements	(0.086)	0.000	0.000	0.024	0.062	**0.000**
Net book value 31 March 2019	**363.270**	**7.628**	**97.861**	**3.890**	**10.507**	**483.156**
Balances as at 31 March 2018						
Cost/Valuation	379.309	34.731	208.514	5.342	8.201	**636.097**
Cumulative Depreciation and Impairments	(13.600)	(28.146)	(116.258)	(1.480)	(0.142)	**(159.626)**
Carrying amount	**365.709**	**6.585**	**92.256**	**3.862**	**8.059**	**476.471**
Balances as at 31 March 2019						
Cost/Valuation	371.081	38.558	222.284	5.743	10.719	**648.385**
Cumulative Depreciation and Impairments	(7.811)	(30.930)	(124.423)	(1.854)	(0.212)	**(165.230)**
Carrying amount	**363.270**	**7.628**	**97.861**	**3.889**	**10.507**	**483.155**
Owned	363.270	5.696	89.844	3.889	10.507	**473.206**
PFI	0.000	0.000	8.017	0.000	0.000	**8.017**
Finance Lease	0.000	1.932	0.000	0.000	0.000	**1.932**
Carrying amount	**363.270**	**7.628**	**97.861**	**3.889**	**10.507**	**483.155**

Capital commitments

At 31 March 2019, the council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2018/19 and future years which are budgeted to cost £12.653 million. Similar commitments at 31 March 2018 were £13.223 million. The major commitments are shown in the following table:

Projects	Council funded £m	Externally funded £m	Total £m
Academies	0.000	0.407	**0.407**
Highways maintenance and improvements	0.343	0.115	**0.458**
Investment in parks and greenspaces	0.054	0.074	**0.128**
Growth Deal	0.000	6.900	**6.900**
Investment in car parks	0.009	0.000	**0.009**
Investment in Libraries	0.055	0.000	**0.055**
Investment in Leisure Facilities	0.142	0.000	**0.142**
Investment in IT	2.360	0.000	**2.360**
Department of Health Capital Allocation	0.000	0.052	**0.052**
Darlaston Strategic Development Area	0.029	0.000	**0.029**
Other	1.362	0.750	**2.112**
	4.355	**8.298**	**12.653**

Revaluations

The council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. For 2018/19 all valuations were carried out externally by Lambert Smith Hampton except for the Primark and Co-op developments. The effective date of the revaluations carried out in 2018/19 was 1 January 2019.

The Lambert Smith Hampton valuations were prepared by Mark D Weller BSc (Hons) MRICS (RICS Registered Valuer), assisted by Tim Sandford BSc MRICS (RICS Registered Valuer), Luke Sutton BSc (Hons) MRICS (RICS Registered Valuer) and Scott Ellis BSc (Hons) MRICS (RICS Registered Valuer).

The valuations for the Primark and Coop developments were carried out externally by Cushman and Wakefield. The valuation was prepared by Jonathon T Leedham MRICS (RICS Registered Valuer) assisted by James Bladon MRICS.

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

- Land and Buildings, Equipment have been valued on an existing use value basis except where the assets are specialised
- Surplus assets have been valued on a fair value basis
- Specialised assets have been valued on the depreciated replacement cost method using modern equivalent asset basis

- The values used for the depreciated replacement cost calculation were from the Building Cost Information Service (BCIS) Quarterly Review of Building Prices – 1st quarter 2019.
- Assets under construction have been valued on a cost basis
- Infrastructure and community assets have been valued on a depreciated historic cost basis.

	Land & Buildings £m	Plant / Vehicles / Equipment £m	Infrastructure £m	Community £m	Surplus £m	Grand Total £m
Valued at Historical Cost	0.000	7.628	97.861	3.889	0.551	109.929
Valued at current value as at:						
2018/2019	322.775	0.000	0.000	0.000	4.113	326.888
2017/2018	2.964	0.000	0.000	0.000	1.367	4.331
2016/2017	13.380	0.000	0.000	0.000	0.000	13.380
2015/2016	7.080	0.000	0.000	0.000	4.476	11.556
2014/2015	17.071	0.000	0.000	0.000	0.000	17.071
Grand Total	**363.270**	**7.628**	**97.861**	**3.889**	**10.507**	**483.155**

Surplus assets have been assessed as level 1, level 2 or level 3 for valuation purposes. An explanation of valuation levels can be found in the accounting policies on page 36. There has been no change in valuation methodology compared to last year.

2017/18						2018/19				
Level 1 £m	Level 2 £m	Level 3 £m	No level £m	Total £m		Level 1 £m	Level 2 £m	Level 3 £m	No level £m	Total £m
2.903	4.655	0.453	0.049	8.060	Surplus assets	0.524	4.522	5.375	0.085	10.506
2.903	**4.655**	**0.453**	**0.049**	**8.060**	**Total**	**0.524**	**4.522**	**5.375**	**0.085**	**10.506**

There are some surplus assets which have not yet been revalued as they are not yet due on the five year revaluation cycle. They are scheduled to be valued in the next three years.

For those values assessed as level 3 the significant unobservable inputs used relate to the valuers judgement of yield rates for rentals using known market information as a basis and adjusting this for known local conditions. A summary of these is shown below:

Asset Category	Unobservable inputs	Range	Sensitivity
Surplus assets	Yields	1.5%-2%	Changes in yields or occupancy will result in a higher or lower value

20. Accounting for local government schools

Dedicated Schools Grant (DSG) is credited to the CIES within taxation and non-specific income based on amounts due from the Department for Education for 2018/19. The DSG is allocated between central council budget and budgets allocated to individual schools (delegated school budgets). Expenditure from central council budgets and delegated schools budgets is charged to the CIES under education and children's services.

Individual schools' balances at 31 March 2019 are included in the balance sheet of the council under the earmarked reserves heading.

The numbers of schools with some measure of control from the council are shown in the table below.

	Community	Voluntary Controlled	Voluntary Aided	Foundation
Number of schools (including PFI)	62	8	14	3
Value of land and buildings at 31 March 2019	£140.092m	£19.207m	£0m	£19.547m
Number of schools subject to PFI contracts	0	0	1	0

PFI schemes

The council has one school subject to PFI contract, which is not shown on the council's balance sheet. This is because it is a voluntary aided school and the control of the right to use the buildings has passed to the school trustees.

The PFI liabilities in respect of the PFI school remains on the council's balance sheet as the council is responsible for the liabilities within the contract with the PFI operator.

Academy conversions

During 2018/19 there were no academy conversions.

There are four conversions expected during 2019/20 where upon conversion all assets will transfer from the council to the academy.

Busill Jones Primary School – Current net book value £2.405 million

Lower Farm Primary School – Current net book value £3.125 million

New Leaf Centre – As part of the Education Development Centre (current net book value £7.460 million) the site value is yet to be determined.

Jane Lane Special School – Current net book value £4.972 million

21. Heritage assets

Carrying value of heritage assets held by the council

2017/18 £m		2018/19 £m
19.543	As at 1 April	33.961
0.014	Additions	0.000
14.404	Revaluations	0.000
33.961	**Balance as at 31 March**	**33.961**

Heritage assets include art collections (£31.780 million 2018/19, £31.780 million 2017/18), museum collections (£1.950 million 2018/19, £1.950 million 2017/18), civic regalia (£0.223 million 2018/19, £0.223 million 2017/18).

Valuations

Art collections
The council's art collections are reported in the balance sheet at insurance valuations based on market values. Valuations are based on research of the art market which establishes the recent sale prices at auction or from galleries of similar works. A significant number of key art works underwent an insurance valuation as at 16 August 2017 carried out by Bonhams

The most significant valuations include Lucian Freud's 'Portrait of Kitty' and 'Annabel', Vincent van Gogh's 'Sorrow' and Frank Auerbach's "To the Studio".

Museum collections
The council's museum collections are included in the balance sheet at insurance valuation based on market values. The remaining items in the collection are insured at valuations derived by curators, based on their knowledge of current market values.

Civic regalia
The council's mayoral civic regalia are included in the balance sheet at insurance valuation based on replacement values. The last valuation took place in 2009 by Fellows and Sons, auctioneers and valuers based in Birmingham.

Additions of heritage assets
There were no additions of art works during 2018/19. These have been added to the relevant collections.

Disposal of heritage assets
There were no disposals of heritage assets during 2018/19.

Five year summary of transactions
Following a review of the transactions over the last five years there were no significant or material additions, disposals or other transactions that warrant any further disclosure.

22. Further information on heritage assets

Heritage assets held on balance sheet

Art collections

The council has four art collections: the Garman-Ryan collection, the Garman-Ryan Epstein collection, the permanent collection and the special collection; all based within the council's New Art Gallery. These collections include significant works by European artists including Van Gogh, Monet, Turner, Renoir, Constable and Sir Jacob Epstein. The council is only allowed to dispose of works that it has purchased. These exclude all the works within the Garman-Ryan collection and other works gifted/bequeathed to the people of Walsall and held by the council in trust.

Further details of the art collections can be found on the New Art Gallery's website.

Museum collections

The council's museum collections comprise the Hodson Shop collection, clothing collection, social and industrial collection and leather collection. These are held in storage with a number of items periodically displayed in the Leather Museum. The Hodson Shop collection is a nationally significant collection of clothing and other household goods representative of stock in a drapers shop. These items have been acquired by donations, purchase and bequests in accordance with the council's acquisitions and disposals policy.

Further details of the museum collections can be found on the Walsall Council website and the Black Country History website.

Civic regalia

The civic regalia consist of the mayoral insignia for the Mayor and Mayoress of Walsall. It also contains the chains of office for the former borough councils that were amalgamated into Walsall as a result of local government reorganisation: Darlaston, Willenhall, and Aldridge and Brownhills. The mayoral insignia are only used at formal mayoral events. Otherwise they are kept securely stored.

Heritage assets not held on balance sheet

The council holds a number of heritage assets off balance sheet due to not previously having values for these items. The council believes that the cost of obtaining valuations now for these assets will not match the potential benefit they will bring to the reader of these accounts. These assets include; local history archive, statues, war memorials, memorial clocks and public art.

23. Investment properties

Investment properties are those that are used solely to earn rental income or for capital appreciation. The definition does not apply if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

There are no restrictions on the council's ability to realise the value inherent in its investment property or on the council's right to the remittance of income and the proceeds of disposal. The council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

Income and Expenditure on Investment Properties

The rental income received and expenditure spent on the council's investment properties are shown below.

2017/18 £m		2018/19 £m
(1.814)	Rental income from investment properties	(3.016)
1.043	Direct operating expenses from investment properties generating rental income in period	2.864
(0.771)	**Net (gain)/loss**	**(0.152)**

Movement on balances

The following table summarises the movement in the fair value of investment properties over the year:

	Level 2 £m	Level 3 £m	Total £m
Balance 31 March 2017	**6.750**	**2.356**	**9.106**
Additions & other capital expenditure	13.255	0.000	13.255
Net gains/(losses) from fair value adjustments	3.303	(2.356)	0.947
Balance at 31 March 2018	**23.308**	**0.000**	**23.308**
Transfer of assets to Property, plant and equipment	(7.437)	0.000	(7.437)
Revised balance 31 March 2017	**15.871**	**0.000**	**15.871**
Additions & other capital expenditure	0.092	0.000	0.092
Disposals	(0.057)	0.000	(0.057)
Net gains/(losses) from fair value adjustments	(8.615)	0.000	(8.615)
Balance at 31 March 2019	**7.291**	**0.000**	**7.291**

During the year a review of investment properties was carried out based on the original business plan. This highlighted that two properties did not meet the recognition criteria for investment properties as set out in the Code, specifically that these were built to kick start regeneration in the town centre as opposed to holding solely for rent generation purposes. As a result of this the council has transferred these from investment properties to operational land and buildings.

The remaining investment properties have all had their annual valuation as at 1 January 2019. The outcome of these valuations reflect current market conditions, such as the ongoing pressure on the retail sector, and has resulted in a reduction in the overall balance.

Fair Value Hierarchy

The council's investment properties have been value assessed as either level 2 or level 3 on the fair value hierarchy for valuation purposes (see Note 1 page 36 for an explanation of the fair value levels).

2017/18			2018/19	
Level 2 £m	Total £m		Level 2 £m	Total £m
20.858	20.858	Shops	5.374	5.374
2.450	2.450	Leased land	1.917	1.917
23.308	**23.308**	**Total**	**7.291**	**7.291**

Valuation techniques used to determine fair values

The fair value of investment properties has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the council's investment asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as either level 2 or level 3 on the fair value hierarchy. There has been no change in the valuation techniques used during the year for investment properties.

Highest and Best Use

In estimating the fair value of the council's investment properties, the highest and best use is their current use.

Valuation Process for Investment Properties

The council's investment property has been valued as at 1 January 2019 except where purchased in year where the purchase price is taken as the fair value. Valuations for investment properties were carried out externally by Lambert Smith Hampton or Jones Lang Lasalle.

The Lambert Smith Hampton valuations were prepared by Mark D Weller BSc (Hons) MRICS (RICS Registered Valuer), assisted by Tim Sandford BSc MRICS (RICS Registered Valuer), Luke Sutton BSc (Hons) MRICS (RICS Registered Valuer) and Scott Ellis BSc (Hons) MRICS (RICS Registered Valuer).

The Jones Lang Lasalle valuations were prepared by Charlie Robertson MRICS (RICS Registered Valuer) under the direction of Stuart Smith MRCIS (RICS Registered Valuer).

All valuations were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

24. Intangible assets

The council accounts for its software licences as intangible assets, to the extent that the software is not an integral part of a particular information technology system and is accounted for as part of the hardware item of property, plant and equipment. The intangible assets include purchased software.

2017/18 £m		2018/19 £m
1.607	Balance at start of year	2.280
	Additions	
1.484	- purchase	6.244
(0.811)	Amortisation for the year	(1.614)
0.673	**Total movements in the year**	**4.630**
2.280	**Net carrying amount at end of the year**	**6.910**
	Comprising:	
7.121	- Gross carrying amounts	11.216
(4.841)	- accumulated amortisation	(4.306)
2.280	**Net book value at 31 March**	**6.910**

25. Assets held for sale

The following table shows the movements and current balance within the assets held for sale account. These assets are for sale and actively being marketed by the council.

2017/18 £m		2018/19 £m
3.792	Balance outstanding at start of year	3.555
	Assets newly classified as held for sale:	
0.724	Property, plant and equipment	0.403
0.000	Revaluation losses	(0.277)
	Assets de-classified as held for sale:	
0.000	Property, plant and equipment	(2.338)
	Other movements	
(0.961)	Assets sold	(1.233)
3.555	**Balance outstanding at year-end**	**0.110**

26. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. The net movement then results in either an increase or decrease in the council's capital financing requirement (CFR) also shown on this table.

The CFR shows the council's overall requirement for borrowing based on past and current capital expenditure not financed by grants, capital receipts revenue contributions. This balance is then written down over future years through a contribution from revenue, the minimum revenue provision, which is calculated as per the council's MRP policy agreed each year.

2017/18 £m		2018/19 £m
335.150	Opening capital financing requirement	351.593
	Capital investment	
28.051	Property, plant and equipment	32.465
13.255	Investment property	0.092
0.014	Heritage assets	0.000
32.694	Revenue expenditure funded from capital under statute	18.273
1.484	Intangible assets	6.244
75.498		**57.074**
	Sources of finance	
(2.226)	Capital receipts	(1.977)
(52.034)	Government grants and contributions	(33.507)
	Sums set aside from revenue	
(2.934)	Direct revenue contributions	(2.249)
(2.009)	Minimum revenue provision (MRP)	(11.261)
(59.203)		**(48.994)**
	-	
	Other capital adjustments	
0.148	Other capital adjustments within CFR	(2.000)
0.148		**(2.000)**
351.593	**Closing capital financing requirement**	**357.673**
	Explanation of movements in year	
18.304	Increase in current year underlying need to borrow	19.341
(0.847)	Decrease in prior years underlying need to borrow (MRP)	(12.336)
(0.531)	Reduction in liability on PFI schemes (MRP)	(0.517)
(0.483)	Reduction in liability on Finance Leases (MRP)	(0.408)
16.443	**Increase/(decrease) in capital financing requirement**	**6.080**

27. Leases

Council as lessee

Finance leases

The council has cremator units and a number of vehicles on finance leases. The assets acquired by these leases are carried on the balance sheet as property, plant and equipment with values shown in Note 19 page 67.

The council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the council and finance costs that will be payable by the council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	Finance lease liabilities		Finance costs payable		Minimum Lease Payments	
	31 March 2018 £m	31 March 2019 £m	31 March 2018 £m	31 March 2019 £m	31 March 2018 £m	31 March 2019 £m
Not later than one year	0.411	0.425	0.090	0.075	0.501	0.500
Later than one year and not later than five years	1.726	1.539	0.267	0.145	1.993	1.684
Later than five years	0.000	0.000	0.000	0.000	0.000	0.000
	2.137	**1.964**	**0.357**	**0.220**	**2.494**	**2.184**

Operating leases

The council have vehicles, equipment and property on operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2018 £m		31 March 2019 £m
0.541	Not later than one year	0.489
1.629	Later than one year and not later than five years	1.595
3.479	Later than five years	3.286
5.649	**Total**	**5.370**

The council has sub-let some of the vehicles held under these operating leases. At 31 March 2019 the minimum payments expected to be received under non-cancellable sub-leases was minimal.

The expenditure charged to the net cost of services in the CIES during the year in relation to these leases was:

2017/18 £m		2018/19 £m
0.606	Minimum lease payments	0.704
0.086	Contingent rents	0.036
(0.062)	Sublease payments received	(0.046)
0.630	**Total**	**0.694**

Council as lessor

Operating leases
The council leases out property under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2018 £m		31 March 2019 £m
2.023	Not later than one year	1.904
5.895	Later than one year and not later than five years	5.261
18.319	Later than five years	17.524
26.237	**Total**	**24.689**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. During 2018/19 the contingent rents received by the council were minimal.

Finance Leases
The council has a number of leases as lessor that are categorised as finance leases however they are not considered to be material.

28. Private finance initiatives and similar contracts

St Thomas More School
2018/19 was the sixteenth year of a 25 year private finance initiative (PFI) contract for the construction, maintenance and operation of a secondary school in Willenhall. The main partners within the contract are the Governors of St Thomas More School, Birmingham Roman Catholic Diocese Trustees, Babcock and Brown and Walsall Council. The application of IFRIC 12 to this scheme has resulted in this being classed as an off balance sheet transaction. As such no asset is shown within the council's balance sheet. This is due to the council having no interest in the school at the end of the contract. Instead all the land and property reverts back to the Birmingham Roman Catholic Diocese Trustees and the Governors of St Thomas More School. In line with all other voluntary aided schools the contract has also been reviewed under IFRIC 4 and it has been determined that the council has an operating lease with the Governors of St Thomas More School and Birmingham Roman Catholic Diocese Trustees.

The following table shows the predicted payments to be made under the contract to the contractor over the life of the contract.

	£m
Payable in 2018/19	2.317
Payable within two to five years	9.742
Payable within six to ten years	10.545
Total	**22.604**

Public street lighting

2018/19 was the fifteenth year of a 25 year PFI contract for the replacement and maintenance of the council's lighting stock across the borough. The objective of this contract is to ensure that the borough is lit in a uniform manner complying with British and European standards. The main partners within the contract are Walsall Council and Walsall Public Lighting Ltd.

Property, plant and equipment

The assets used to provide services for street lighting are recognised on the council's balance sheet. Their value is detailed in the analysis of the property, plant and equipment balance in note 19 page 67.

Payments

The council makes an agreed payment which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2019 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for service £m	Reimbursement of capital expenditure £m	Interest £m	Total £m
Payable in 2019/20	2.734	0.500	0.064	3.298
Payable within two to five years	11.276	2.266	0.191	13.733
Payable within six to ten years	12.535	2.335	0.075	14.945
Total	**26.545**	**5.101**	**0.330**	**31.976**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the contractor for capital expenditure initially incurred is as follows:

PFI Liability 2017/18 £m	PPE Assets 2017/18 £m		PFI Liability 2018/19 £m	PPE Assets 2018/19 £m
(6.149)	9.223	Balance outstanding at start of year	(5.619)	8.620
0.530	0.000	Payments during the year	0.517	0.000
0.000	(0.603)	Depreciation in year	0.000	(0.603)
(5.619)	**8.620**	**Balance outstanding at year-end**	**(5.102)**	**8.017**

Housing 21

2018/19 was the eleventh year of a 30 year public-private partnership scheme. The principal partners in the contract are Housing 21 and Walsall Council. This contract is to provide:

- 285 extra care units (including 70 shared ownership and 5 respite care) across the borough
- A 40 bed dementia care unit at Goscote
- Increased day care across the borough (including weekend access to services). For 2016/17 onwards this part of the agreement has ceased, and the costs shown within the table below reflect this change.

The majority of the assets within this contract do not revert back to council ownership at the end of the 30 year contract. Instead the council has provided land to Housing 21 on 125 year leases. As such the council does not need to account for the assets created by the scheme on its balance sheet.

The table below shows the predicted payments to the contractor over the life of the agreement.

	£m
Payable in 2019/20	8.838
Payable within two to five years	37.618
Payable within six to ten years	52.561
Payable within eleven to fifteen years	59.468
Payable within sixteen to twenty years	53.154
Total	**211.639**

29. Financial instruments

Categories of financial instruments

The following categories of financial instrument are carried in the balance sheet:

Financial Assets

	Non current		Current		Total
	Investments £m	Debtors £m	Investments £m	Debtors £m	£m
2017/18					
Fair value through profit and loss	18.981	0.000	0.000	0.000	18.981
Fair Value through other comprehensive income	24.571	0.000	0.000	0.000	24.571
Amortised cost	14.221	5.629	100.090	19.741	139.681
	57.773	**5.629**	**100.090**	**19.741**	**183.233**
Non financial assets	0.000	0.067	0.000	24.811	24.878
	57.773	**5.696**	**100.090**	**44.552**	**208.111**
2018/19					
Fair value through profit and loss	19.276	0.000	0.000	0.000	19.276
Fair Value through other comprehensive income	24.642	0.000	0.000	0.000	24.642
Amortised cost	15.310	5.115	121.162	24.705	166.292
	59.228	**5.115**	**121.162**	**24.705**	**210.210**
Non financial assets	0.000	0.065	0.000	26.428	26.493
	59.228	**5.180**	**121.162**	**51.133**	**236.703**

The investments carried at fair value through profit and loss consists of the council's unit holding with the CCLA Property Fund

The investments carried at fair value through other comprehensive income consists of the council's shareholding in Birmingham Airport Holdings Limited (BAH). The seven West Midlands local authorities own 49% of BAH's 320 million ordinary shares of £0.01 each. The council owns 4.88% of these shares. The other shareholders are Airport Group Investments (48.35%) and an employee share trust (2.75%). In addition the seven West Midlands authorities own all of BAH's 6.31% preference shares, of which Walsall Council owns 9.95%. These are cumulative and irredeemable.

The non current debtors carried at amortised cost contains of approximately £5 million Waste Disposal debt from the former West Midlands County Council owed to Walsall Council by the other West Midlands councils.

Financial Liabilities

	Non current		Current		Total
	Borrowings £m	Creditors £m	Borrowings £m	Creditors £m	£m
2017/18					
Amortised cost	(256.561)	(7.348)	(71.766)	(58.468)	(394.143)
	(256.561)	**(7.348)**	**(71.766)**	**(58.468)**	**(394.143)**
Non financial liabilities	0.000	(515.830)	0.000	(9.575)	(525.405)
	(256.561)	**(523.178)**	**(71.766)**	**(68.043)**	**(919.548)**
2018/19					
Amortised cost	(290.678)	(6.421)	(21.123)	(78.567)	(396.789)
	(290.678)	**(6.421)**	**(21.123)**	**(78.567)**	**(396.789)**
Non financial liabilities	0.000	(521.308)	0.000	(8.845)	(530.153)
	(290.678)	**(527.729)**	**(21.123)**	**(87.412)**	**(926.942)**

The borrowing financial liabilities at amortised cost consist of Public Works Loan Board (PWLB) loans, commercial bank loans and loans from other local authorities taken by the council.

Reclassification of financial assets as at 1 April 2018

Following the adoption of IFRS9 into the council's accounts as at 1 April 2018 this table shows the effect of reclassifying financial assets as required. It also shows how the new balances have been incorporated into the balances sheet as at 1 April 2018.

	New Classifications			
Previous Classifications	Carrying amount as at 31 March 2018 £m	Amortised cost £m	Fair Value through Other Comprehensive Income £m	Fair Value through Profit or Loss £m
Financial Assets				
Loans & Receivables	139.681	139.681	0.000	0.000
Available for Sale	43.552	0.000	24.571	18.981
Reclassified financial assets as at 1 April 2018	**183.233**	**139.681**	**24.571**	**18.981**
Balance Sheet				
Non current investments	57.773	14.221	24.571	18.981
Long term debtors	5.629	5.629	0.000	0.000
Current investments	100.090	100.090	0.000	0.000
Current debtors	19.741	19.741	0.000	0.000
Reclassified financial assets as at 1 April 2018	**183.233**	**139.681**	**24.571**	**18.981**
Impact on Pooled Investment Funds Adjustment Account				1.019
Impact on Financial Instruments Adjustment Account			-17.867	

The following judgements were made in reclassifying financial instruments at 1 April 2018:

Designated to fair value through other comprehensive income

Prior to 1 April 2018 the council's shareholding in BAH was held as an Available for Sale Financial Asset, measured at fair value each year. Any change in fair value was posted to other comprehensive income and expenditure, with accumulated gains and losses held in the Available for Sale Financial Instruments Account.

With the adoption of IFRS 9 – Financial Instruments the Available for Sale Financial Asset category is no longer available. The new standard requires that investments in equity to be classified as fair value through profit and loss unless there is an irrevocable election to designate the asset as fair value through other comprehensive income. The investment in BAH is an equity instrument and as such, the default position is that any gains and losses on changes in fair value would be recognised through profit and loss.

As the council's BAH shareholding is a strategic investment and not held for trading and the council has opted to make the irrevocable decision to designate it as fair value through other comprehensive income. This decision results in no impact on the revenue budget. Any gains or losses on the valuation of the shareholding will therefore be transferred to a Financial Instruments Revaluation Reserve.

Statutory Override on pooled investments

As a result of the change in accounting standards for 2018/19 under IFRS 9, the Ministry for Housing, Communities and Local Government (MHCLG) agreed a statutory override for pooled investment funds to last five years commencing from April 2018. The council's CCLA Property Fund holding are classed as a pooled investment fund. Therefore the council will use this statutory override to account for any changes in its fair value Any gains or losses will be held within the Pooled Investment Funds Adjustment Account.

Income, expense, gains and losses

The table below shows the impact of financial instrument transactions on the CIES.

2017/18			2018/19	
Surplus/Deficit on the provision of Services £m	**Other Comprehensive Income and Expenditure £m**		**Surplus/Deficit on the provision of Services £m**	**Other Comprehensive Income and Expenditure £m**
		Net gains/losses on:		
1.019		Financial assets measured at fair value through profit and loss	(0.295)	
	0.513	Investments in equity instruments designated at fair value through other comprehensive income		(0.071)
1.019	**0.513**	**Total net gains/losses**	**(0.295)**	**(0.071)**
		Interest and dividend income		
(1.711)	0.000	Financial assets measured at amortised cost	(2.308)	0.000
(1.599)	0.000	Dividends from investment in equity instruments designated at fair value through other comprehensive income	(1.361)	0.000
(0.475)	0.000	Dividends from investment in equity instruments designated at fair value through profit and loss	(0.835)	
(3.310)	**0.000**		**(3.669)**	**0.000**
11.972	**0.000**	**Interest expense**	**15.309**	**0.000**

Fair value of investments in equity instruments

	Input level in Fair Value Hierarchy	Valuation technique used to measure Fair Value	31 March 2018 Fair Value £m	31 March 2019 Fair Value £m
Fair Value through Profit and Loss				
CCLA Property Fund	Level 1	Unadjusted quoted prices	18.981	19.276
Fair Value through Other Comprehensive Income				
Birmingham Airport	Level 3	Earnings based valuation	24.571	24.642

The council's unit holdings within the CCLA Property Fund is within an active trading market with observable income unit prices as such the fair value quoted within the accounts is based on these unaltered income unit prices.

The council's shareholding in BAH is not traded in an active market; however, the fair value shown is based on a high degree of comparability to listed company data including any movement in share prices.. The valuation technique used in determining the fair value of BIA is an earnings approach based upon Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) within the relevant year's business plan with future potential adjusted by multiples derived from similar listed companies within the industry.

Fair value of financial instruments held on the balance sheet at amortised cost

Financial liabilities and assets represented by loans and receivables and long-term debtors and creditors are carried in the balance sheet at amortised cost. 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 (Level 2), using the following assumptions:

- For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
    - No early repayment or impairment is recognised;
    - Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values of financial liabilities calculated are as follows:

2017/18				2018/19	
Carrying Amount £m	Fair Value £m		Input level in Fair Value Hierarchy	Carrying Amount £m	Fair Value £m
(115.042)	(164.046)	PWLB loans	Level 2	(177.781)	(231.701)
(18.126)	(20.911)	Other local authority debt	Level 2	(16.541)	(18.968)
(0.033)	(0.033)	Individuals	Level 2	(0.002)	(0.002)
(103.665)	(164.364)	Lenders option/borrowers option/market debt	Level 2	(96.353)	(156.654)
(91.461)	(90.178)	Other loans	Level 2	(21.123)	(20.130)
(58.468)	(58.468)	Short term creditors	Level 2	(78.567)	(78.567)
(7.348)	(7.348)	Long term creditors	Level 2	(6.421)	(6.421)
(394.143)	**(505.348)**	**Financial liabilities**		**(396.789)**	**(512.443)**

The total fair value of the liabilities is higher than the carrying amount because the council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

The fair values of financial assets calculated are as follows:

2017/18				2018/19	
Carrying Amount £m	Fair Value £m		Input level in Fair Value Hierarchy	Carrying Amount £m	Fair Value £m
14.221	14.157	Long term investments	Level 2	15.310	15.214
100.090	100.206	Short term investments	Level 2	121.162	121.162
19.741	19.741	Short term debtors	Level 2	24.705	24.705
5.629	5.629	Long term debtors	Level 2	5.115	5.115
139.681	**139.733**	**Financial assets**		**166.292**	**166.196**

The fair value of the assets is lower than the carrying amount because the council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) attributable to the commitment to receive interest above current market rates.

Short term debtors and creditors are carried at cost as this is a fair approximation of their fair value.

30. Nature and extent of risks arising from financial instruments

Overall procedures for managing risk

The council's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the act. Overall, these procedures require the council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a treasury policy statement and treasury management clauses within its financial regulations/standing orders/constitution
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The council's overall borrowing
  - Its maximum and minimum exposures to fixed and variable rates
  - Its maximum and minimum exposures to the maturity structure of its debt
  - Its maximum annual exposures to investments maturing beyond a year

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the government guidance

These are required to be reported and approved at or before the council's annual council tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 28 February 2018 and is available on the council website. The key issues within the strategy were:

- The authorised limit for the 2018/19 was set at £442.096m. This is the maximum limit of external borrowings or other long term liabilities
- The operational boundary was set at £401.905m. This is the expected level of debt and other long term liabilities during the year
- The maximum amounts of fixed and variable interest rate exposure were set at 95% and 45% based on the council's long term borrowing

These policies are implemented by the treasury team. The council maintains written principles for overall risk management, as well as written policies (treasury management practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically. The council complies with these policies and practices.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers.

This risk is minimised through the annual investment strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria.

The annual investment strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined below. The general policy objective for this council is the prudent investment of its treasury balances.

The council's investment priorities are:

- The security of capital and
- Liquidity of its investments and
- All investments will be in sterling

The council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

The council uses credit criteria in order to select creditworthy counterparties for placing investments with. Information used includes:

- Credit ratings rating agencies – SAP, Fitch and Moodys.

- Treasury management advisors provide regular updates of changes to all ratings relevant to the council
- This council does not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings it will therefore use other sources of information including: -
  - The quality financial press
  - Market data
  - Information on government support for banks and the credit ratings of that government support

Counterparties are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence as at the 31 March 2019 that this was likely to crystallise.

The following analysis summarises the council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

	Amount as at 31 March 2019 £m	Historical experience of default as at 31 March 2019 £m
Banks	38.860	0.010
Building Society	37.000	0.025
Challenger Banks	54.000	0.053
Money Market Funds	12.000	0.000
Trade debtors	19.806	0.000
Total	**161.666**	**0.088**

Amounts Arising from Expected Credit Losses

The council has assessed its short and long term investments and concluded that the expected credit loss is not material therefore no allowances have been made.

No breaches of the council's counterparty criteria occurred during the reporting period and the council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Liquidity risk

The council manages its liquidity position through the risk management procedures set out above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The council has ready access to borrowings from the money markets to cover any day to day cash flow needs, and the PWLB and money markets for access to longer term funds. The council is also required to approve a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

	2017/18 £m	2018/19 £m
Less than one year	119.831	145.867
Between one and two years	14.221	15.310
Between two and five years	0.000	0.000
More than five years	49.181	49.033
Total	**183.233**	**210.210**

The council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The maturity analysis of financial liabilities is as follows:

	2017/18 £m	2018/19 £m
Less than 1 year	(146.939)	(118.492)
Between 1 and 2 years	(40.925)	(17.277)
Between 2 and 5 years	(71.324)	(86.473)
Between 5 and 10 years	(40.252)	(27.895)
More than 10 years	(94.703)	(146.658)
Total	**(394.143)**	**(396.795)**

Within the maturity profile there are a number of lenders option / borrowers option loans. The next call date on a lenders option / borrowers option loan is to be assumed as a right of the lender to require repayment, and so it is reflected in the maturity profile on that basis.

Market risk

Interest rate risk

The council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the CIES will rise
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances)
- Investments at variable rates – the interest income credited to the CIES will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of services and affect the general fund balance, subject to influences from government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in other comprehensive income and expenditure.

The council has a number of strategies for managing interest rate risk. The annual treasury management strategy draws together the council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 0.25% higher (with all other variables held constant) the financial effect would be as follows:

	£m
Increase in interest payable on variable rate borrowings	0.038
Increase in interest receivable on variable rate investments	(0.030)
Impact on (surplus) or deficit on the provision of services	**0.008**
Decrease in fair value of fixed rate investment assets	(0.096)
(Increase) / decrease on other comprehensive income and expenditure	**(0.096)**
(Increase)/Decrease in fair value of fixed rate borrowings liabilities (no impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure)	**12.370**

The approximate impact of a 0.25% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in note 29, page 80.

Price risk

The council has shareholdings to the value of £24.642 million in Birmingham Airport (£23.111 million ordinary shares and £1.531 million preference shares).

The shares are all classified fair value through other comprehensive income meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £1.156 million gain or loss being recognised.

Foreign exchange risk

The council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

31. Debtors

The following table shows the amounts owed to the council (excluding council tax and NDR and an allowance for expected credit losses), for which payments have not been received by 31 March 2019.

2017/18 £m		2018/19 £m
13.970	Trade debtors	19.806
7.684	Other debtors	9.200
2.204	Prepayments and accrued income	2.105
23.858	**Total**	**31.111**

Within other debtors £0.532 million (£0.477 million in 2017/18) is included for property charges within social care. The council recognises that although these are correctly classified as debtors due within one year, events beyond the control of the council make it probable that a proportion of these will be settled beyond that timeframe.

The following table shows the amount owed to the council for local taxation but not impaired, for which payments have not been received by 31 March 2019 analysed by age.

2017/18				2018/19		
Council Tax £m	NDR £m	Total £m		Council Tax £m	NDR £m	Total £m
6.162	1.981	8.143	Less than one year	6.602	1.795	8.397
2.894	1.462	4.356	1-2 years	3.051	0.865	3.916
3.847	1.881	5.728	2-6 years	4.311	1.117	5.428
1.892	0.576	2.468	More than 6 years	1.913	0.370	2.283
14.795	**5.900**	**20.695**	**Total**	**15.877**	**4.147**	**20.024**

32. Cash and cash equivalents

The balance of cash and cash equivalents is made up of the following items:

2017/18 £m		2018/19 £m
0.043	Cash held by the council	0.036
(0.427)	Bank current accounts	4.105
15.394	Short term deposits	24.360
15.010	**Total**	**28.501**

Short term deposits have increased as a result of the council's treasury management strategy.

33. Creditors

This table shows the amounts owed by the council for which payments have not been paid by 31 March 2019, but which should be paid within one year.

2017/18 £m		2018/19 £m
(50.076)	Trade creditors	(71.492)
(7.464)	Other creditors	(6.149)
(2.674)	Receipts in advance	(3.421)
(3.444)	Tax and national insurance	(3.688)
(2.515)	Council Tax	(1.359)
(0.942)	NDR	(0.377)
(0.517)	PFI Liability	(0.501)
(0.411)	Lease liability	(0.425)
(68.043)	**Total**	**(87.412)**

Trade creditors includes £18 million of forward dealt investments agreed in March 2019 but paid in April 2019.

The council has £2.855 million of capital grants received in advance. This is for Basic Needs Grant to be given to schools in 2019/20.

34. 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.

	Back Pay £m	Insurance Fund £m	Pensions and Redundancy £m	NDR Appeals £m	Other £m	Total £m
Balance at 1 April 2018	(0.107)	(0.861)	(0.860)	(7.424)	(0.686)	**(9.938)**
Additional provisions made in 2018/19	0.000	(0.662)	(0.985)	(1.118)	0.000	**(2.765)**
Amounts used in 2018/19	0.000	0.374	0.843	1.044	0.520	**2.781**
Unused amounts reversed in 2018/19	0.107	0.000	0.017	0.000	0.030	**0.154**
Balance at 31 March 2019	**(0.000)**	**(1.149)**	**(0.985)**	**(7.498)**	**(0.136)**	**(9.768)**

Back pay

During 2018/19 Walsall continued to settle outstanding equal pay claims, based on a memorandum of understanding reached at the end of 2010/11. Negotiation with the legal representatives of new equal pay claimants, who raised claims following the agreement of the existing memorandum of understanding, has been progressed to obtain greater clarity around the level of any liability and timing of payments, following which due to the expected value of residual cases being immaterial the remaining provision has been released.

Insurance fund

The council has an established insurance fund to cover excesses on claims. These outstanding claims amount to £3.768 million and are at various stages of being addressed and it is therefore unclear when settlement might be made. However, based on claim settlement profiles, projected settlements are estimated at £1.149 million (£0.861 million 2017/18) for which a provision is held to cover this.

Pensions and redundancy costs

The council has created an additional provision of £0.985 million for pension and redundancy costs in relation to restructures undertaken during 2018/19. During 2018/19 £0.843 million was charged with a release of £0.017 million against the 2017/18 provision. The £0.985 million will be carried forward to 2019/20 where it is expected that the remaining transfers of economic benefit will occur. The pension figures provided by the West Midlands Metropolitan Authorities Pension Fund and the redundancy costs are based on agreed and expected leaving dates for each officer.

NDR appeals

Further information on NDR appeals can be found on page 105.

Other

In addition to the above provisions the council holds £0.136 million (£0.686 million 2017/18) for other costs where the expected timing of any resultant transfer of economic benefit or future events cannot be accurately predicted.

The estimated timings for use of these provisions are shown in the following table.

	Back Pay £m	Insurance Fund £m	Pensions and Redundancy £m	NDR Appeals £m	Other £m	Total £m
Less than 1 year	0.000	0.000	(0.985)	(7.498)	(0.136)	**(8.619)**
Greater than 1 year	0.000	(1.149)	0.000	0.000	0.000	**(1.149)**
Balance at 31 March 2019	**0.000**	**(1.149)**	**(0.985)**	**(7.498)**	**(0.136)**	**(9.768)**

35. Usable reserves

Movements in the council's usable reserves can be found in the Movement in Reserves Statement (page 30). The movement in reserve notes shows the details for the council's earmarked reserves.

2017/18 £m		2018/19 £m
(15.226)	General fund reserve	(15.669)
(150.152)	Earmarked reserves	(150.664)
(19.980)	Capital grants unapplied account	(42.396)
(8.766)	Capital receipts reserve	(8.689)
(194.124)	**Total**	**(217.418)**

Capital grants unapplied account

The capital grants unapplied account shows the balance of capital grants the council has received but has not yet applied to finance capital expenditure.

2017/18 £m		2018/19 £m
(22.380)	Balance brought forward	(19.980)
(3.839)	Current year capital grants unapplied credited from comprehensive income and expenditure statement	(32.643)
6.239	Prior year capital grants applied against capital expenditure	10.227
(19.980)	**Total**	**(42.396)**

Capital receipts reserve

The capital receipts reserve shows the available resources the council has from the sale of its assets to finance future capital expenditure without grants and loans.

2017/18 £m		2018/19 £m
(7.829)	Balance brought forward	(8.765)
(2.167)	Capital receipts received during the year	(1.900)
(1.009)	Capital receipts released from deferred capital receipts	(0.002)
2.226	Capital receipts applied against capital expenditure	1.977
0.002	Capital receipts paid to MHCLG for pooling of housing capital receipts	0.001
0.012	Capital receipts applied against revenue for disposal costs	0.000
(8.765)	**Total**	**(8.689)**

Earmarked reserves

This note sets out the amounts set aside from the general fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet general fund expenditure in 2018/19.

The general fund reserves listed in the following table have been categorised as follows:

Treasury reserves. These reserves are to minimise the impacts of interest rate changes and finance early redemption of loans to reduce the council's future interest exposure**.**

Grants received in advance. This is where the council has received money in advance of the next accounting period or covers more than one accounting period. These amounts will be spent in line with the grant conditions.

Demand led. These reserves are to provide short term additional funding for Childrens and Adult Social Care where a spike in demand will create overspends. Additionally an amount is provided for Housing Benefits.

Improvement projects. These reserves are to finance service modernisation and major capital projects. Regeneration of the borough.

Council liabilities. These reserves cover expenditure where the council has a legal obligation to pay costs, such as equal pay claims and redundancies. In addition to these there are reserves for business rate appeals and insurance claims.

Other. These reserves are to support a wide range of future costs such as partnership working with other external bodies.

	Balance as at 31/03/2017 £m	Transfers in 2016/17 £m	Transfers out 2016/17 £m	Balance as at 31/03/2018 £m	Transfers in 2018/19 £m	Transfers out 2018/19 £m	Balance as at 31/03/2019 £m
Treasury reserves							
Borrowing re-scheduling	(8.000)	(0.150)	0.000	**(8.150)**	(1.162)	4.317	**(4.995)**
Treasury commutation	(3.010)	(1.320)	0.000	**(4.330)**	0.000	3.010	**(1.320)**
MRP equalisation	(6.718)	(7.751)	0.000	**(14.469)**	0.000	0.179	**(14.290)**
Grants received in advance							
Crisis Support	(0.535)	(1.569)	0.509	**(1.595)**	0.000	0.500	**(1.095)**
Dedicated schools grant	(11.985)	(1.205)	2.494	**(10.696)**	0.000	4.592	**(6.104)**
Grant funding in advance under IFRS	(5.889)	(1.999)	1.557	**(6.331)**	(2.278)	2.411	**(6.198)**
Private finance initiative	(21.551)	(0.774)	0.000	**(22.325)**	(0.436)	0.000	**(22.761)**
Public Health	(0.237)	(0.213)	0.000	**(0.450)**	(0.277)	0.000	**(0.727)**
Walsall Works	(2.105)	(0.835)	0.897	**(2.043)**	(0.543)	0.497	**(2.089)**
Improved Better Care	0.000	(1.905)	0.000	**(1.905)**	(0.936)	0.006	**(2.835)**
Demand led							
Children's demand led services	(1.258)	(3.102)	2.476	**(1.884)**	0.000	1.774	**(0.110)**
Transformation	(1.049)	(4.456)	0.376	**(5.129)**	(7.158)	3.021	**(9.266)**
Improvement projects							
Carbon management reduction programme	(1.335)	(0.066)	0.000	**(1.401)**	0.237	0.000	**(1.164)**
Economic Growth Programme	(3.255)	(0.837)	1.686	**(2.406)**	(0.327)	0.511	**(2.222)**
Project reserve	(2.504)	(0.550)	0.057	**(2.997)**	(0.078)	0.345	**(2.730)**
Strategic capital investment	(3.883)	0.000	0.000	**(3.883)**	0.000	0.000	**(3.883)**
Cloud Services	0.000	(1.500)	0.000	**(1.500)**	0.000	0.000	**(1.500)**
Revenue implications of capital	0.000	(0.610)	0.000	**(0.610)**	0.000	0.075	**(0.535)**

	Balance as at 31/03/2017 £m	Transfers in 2016/17 £m	Transfers out 2016/17 £m	Balance as at 31/03/2018 £m	Transfers in 2018/19 £m	Transfers out 2018/19 £m	Balance as at 31/03/2019 £m
Council liabilities							
Business rates retention scheme	(3.675)	(0.893)	0.584	**(3.984)**	(2.669)	1.638	**(5.015)**
Environmental warranties	(1.000)	0.000	0.000	**(1.000)**	0.000	0.000	**(1.000)**
Insurance fund	(2.133)	0.000	0.070	**(2.063)**	(0.070)	0.000	**(2.133)**
Mediation	(2.297)	0.000	0.487	**(1.810)**	(3.477)	0.098	**(5.189)**
Pensions / ABS	(19.355)	(0.305)	0.000	**(19.660)**	(0.096)	0.000	**(19.756)**
Workforce planning	(0.204)	(5.000)	2.929	**(2.275)**	(3.020)	1.825	**(3.470)**
Combined Authority	(0.114)	(3.000)	0.219	**(2.895)**	0.000	0.334	**(2.561)**
Feasibility / options appraisals	(0.259)	(0.712)	0.222	**(0.749)**	0.000	0.235	**(0.514)**
Other							
Buy not lease	(0.575)	(0.250)	0.362	**(0.463)**	(0.405)	0.368	**(0.500)**
Contract Obligations	(3.000)	0.000	0.688	**(2.312)**	0.000	0.371	**(1.941)**
Audit and Inspection	(2.000)	(1.000)	0.910	**(2.090)**	0.000	0.372	**(1.718)**
Other earmarked reserves	(14.469)	(8.553)	11.565	**(11.457)**	(7.773)	5.357	**(13.873)**
Earmarked general fund balances	**(122.395)**	**(48.555)**	**28.088**	**(142.862)**	**(30.468)**	**31.836**	**(141.494)**
Nursery schools	(0.291)	(0.006)	0.291	**(0.006)**	0.000	0.006	**(0.000)**
Primary schools	(4.360)	(5.391)	4.360	**(5.391)**	(7.690)	5.391	**(7.690)**
Secondary schools	(0.437)	(0.201)	0.437	**(0.201)**	0.074	0.201	**0.074**
Special schools	(0.537)	(0.398)	0.537	**(0.398)**	(0.142)	0.398	**(0.142)**
Foundation schools	(1.614)	(1.294)	1.614	**(1.294)**	(1.412)	1.294	**(1.412)**
School balances	**(7.239)**	**(7.290)**	**7.239**	**(7.290)**	**(9.170)**	**7.290**	**(9.170)**
Total	**(129.634)**	**(55.845)**	**35.327**	**(150.152)**	**(39.638)**	**39.126**	**(150.664)**

36. Unusable reserves

Movements in the council's unusable reserves can be found in the Movement in Reserves Statement (page 30) and note 7 (page 53).

2017/18 £m		2018/19 £m
(120.945)	Revaluation reserve	(118.506)
(75.744)	Capital adjustment account	(61.954)
(0.080)	Deferred capital receipts reserve	(0.075)
577.530	Pensions reserve	563.009
(16.847)	Available for sale financial instruments account	0.000
0.000	Financial Instruments Revaluation Reserve	(17.937)
0.000	Pooled Investment Funds Adjustment Account	0.724
0.289	Collection fund adjustment account	(0.270)
6.020	Accumulated absences account	5.272
370.223	**Total**	**370.263**

Capital Adjustment Account and Revaluation Reserve

The revaluation reserve contains the gains made by the council arising from increases in the value of its property, plant and equipment. The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and financing the acquisition, construction or enhancement of those assets under statutory provisions.

The revaluation reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the capital adjustment account.

The Capital Adjustment Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement. It also contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the council.

2017/18			2018/19	
Capital Adjustment Account £m	Revaluation Reserve £m		Capital Adjustment Account £m	Revaluation Reserve £m
(102.722)	**(101.588)**	**Balance at 1 April**	**(75.744)**	**(120.945)**
0.000	0.000	Adjustment for Investment Property Restatement	2.678	(2.403)
(102.722)	**(101.588)**	**Revised balance as at 1 April**	**(73.066)**	**(123.348)**
		Reversal of items relating to capital expenditure		
16.715	1.513	Depreciation of non-current assets	16.154	1.472
3.861	1.312	Impairment of non-current and intangible assets	2.288	0.388
31.805	(22.240)	Revaluation (gains)/losses on property, plant and equipment	11.698	2.827
0.811	0.000	Amortisation of intangible assets	1.614	0.000
32.694	0.000	Revenue expenditure funded from capital under statute (REFFCUS)	18.273	0.000
1.241	0.058	Non-current assets written off on disposal or sale	1.463	0.155
		Capital financing applied in the year		
(2.226)	0.000	Use of capital receipts to finance capital expenditure	(1.977)	0.000
(9.123)	0.000	Use of current year capital grants to finance capital expenditure	(6.592)	0.000
(36.669)	0.000	Use of grant to finance REFFCUS	(16.689)	0.000
(6.239)	0.000	Use of carried forward capital grants to finance capital expenditure	(10.226)	0.000
(2.011)	0.000	Statutory provision for the financing of capital investment	(11.261)	0.000
(2.934)	0.000	Capital expenditure charged against the general fund	(2.249)	0.000
(0.947)	0.000	Movement in the market value of investment properties	8.616	0.000
(75.744)	**(120.945)**	**Balance at 31 March**	**(61.954)**	**(118.506)**

Available for Sale Financial Instruments Account

The available for sale financial instruments reserve contains the gains made by the council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. Following the introduction of IFRS 9 all balances on this account were transferred to either the Financial Instruments Revaluation Reserve (for Birmingham Airport Shares) or the Pooled Investment Funds Adjustment Account (for CCLA Property Fund unit holdings)

2017/18 £m		2018/19 £m
(18.379)	Balance at 1 April	(16.847)
0.000	Movement of Pooled Investments due to introduction of IFRS 9 to Pooled Investments Adjustment Account	(1.019)
0.000	Movement of Birmingham Airport revaluation movements due to introduction of IFRS9 to Financial Instruments Revaluation Reserve	17.866
1.532	(Upward)/Downward revaluation of investments	0.000
(16.847)	**Balance at 31 March**	**0.000**

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains/losses made by the council arising from changes in the value of its investments that are measured at fair value through other comprehensive income. In 2017/18 the balances in this account were contained within the Available for Sale Financial Instruments Account.

2017/18 £m		2018/19 £m
0.000	Balance at 1 April	0.000
0.000	Movement of Birmingham Airport revaluation movements due to IFRS9 from Available for sale financial instruments account	(17.866)
0.000	(Upward)/Downward revaluation of investments	(0.071)
0.000	**Balance at 31 March**	**(17.937)**

Pooled Investment Funds Adjustment Account

The Pooled Investment Funds Adjustment Account contains the gains/losses made by the council arising from changes in the value of its investments in pooled investment funds that are measured at fair value through profit and loss. In 2017/18 the balances in this account were contained within the Available for Sale Financial Instruments Account.

2017/18 £m		2018/19 £m
0.000	Balance at 1 April	0.000
0.000	Movement of Pooled Investments due to introduction of IFRS 9 from Available for Sale financial instruments account	1.019
0.000	(Upward)/Downward revaluation of investments	(0.295)
0.000	**Balance at 31 March**	**0.724**

Deferred capital receipts reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve.

2017/18 £m		2018/19 £m
(1.091)	Balance at 1 April	(0.080)
0.002	Release of deferred capital receipts to revenue as per regulations	0.003
1.009	Transfer to the capital receipts reserve upon receipt of cash	0.002
(0.080)	**Balance at 31 March**	**(0.075)**

Pensions reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting of post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements, however, require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2017/18 £m		2018/19 £m
617.464	Balance at 1 April	577.530
(58.226)	Remeasurements of net defined benefits liabilities/(assets)	(40.328)
51.735	Reversal of items relating to retirement benefits (debited) or credited to the surplus or (deficit) on the provision of services in the comprehensive income and expenditure statement	60.655
(33.443)	Employer's pensions contributions and direct payments to pensioners payable in the year	(34.848)
577.530	**Balance at 31 March**	**563.009**

For further information on the changes in the defined benefit pension scheme please see note 14 page 58.

Collection fund adjustment account

The collection fund adjustment account manages the differences arising from the recognition of council tax income in the CIES as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the general fund from the collection fund. Details on the collection fund can be found on page 102.

2017/18 £m		2018/19 £m
(5.819)	**Balance at 1 April**	0.289
4.449	Amount by which council tax income credited to the comprehensive income and expenditure statement is different from council tax income calculated for the year in accordance with statutory requirements	0.280
1.659	Amount by which NDR income credited to the comprehensive income and expenditure statement is different from NDR income calculated for the year in accordance with statutory requirements	(0.839)
0.289	**Balance at 31 March**	**(0.270)**

Accumulated absences account

The accumulated absences account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.

2017/18 £m		2018/19 £m
5.522	Balance at 1 April	6.020
0.498	Movement by which officer remuneration charged to CIES is different to that chargeable in year in accordance with statutory requirements compared to previous year	(0.748)
6.020	**Balance at 31 March**	**5.272**

37. Notes to Cash Flow Statement

2017/18 £m		2018/19 £m
	Adjustment for non-cash items in the net surplus/deficit on the provision of services	
(22.089)	Depreciation and impairments	(16.280)
(31.805)	Revaluations	(15.607)
(0.811)	Amortisation and impairments of intangible assets	(1.614)
0.668	Increase/(decrease) in debtors	8.316
(2.324)	(Increase)/decrease in creditors	(30.466)
(0.290)	Increase/(decrease) in inventories	(0.182)
43.408	Movement in pension liability	(60.327)
(1.299)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(1.618)
(8.155)	Other non-cash items charged to the net surplus/deficit on the provision of services	(4.838)
(22.697)	**Total**	**(122.616)**
	Adjustments for investing and financing activities in the net surplus/deficit	
2.169	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1.899
51.905	Any other items for which the cash effects are investing or financing cash flows	45.525
54.074	**Total**	**47.424**

38. Contingent liabilities and contingent assets

Contaminated Land – former Gas Works – Oakridge Drive

The council purchased the former Gas Works site from West Midlands Gas Board in the late 1960's. The site was sold to a housing developer in the early 1970's which led to the development of the Stonegate estate. Under current legislation the council is obliged to ensure that previously contaminated sites have been cleaned appropriately, and are no longer an environmental or health hazard. The council served notice on appropriate persons in accordance with this legislation, following which an appeal was lodged with the Secretary of State. The Secretary of State published her report on this matter in April 2017 quashing that notice and on the 1 February 2019 the Council issued Notice of Revocation of the Identification of Contaminated Land in relation to the former Willenhall Town Gas Works.

In accordance with IAS37 Provisions, Contingent Liabilities and Contingent Assets the council is not in a position to disclose any further information at this stage.

Learning Disabilities Pool Budget – Walsall CCG

Contingent Asset
Since September 2016 there has been an ongoing dispute between Walsall CCG & Walsall Council around the CCG's contribution to the Learning Disabilities Pooled. This related to the fall out of Continuing Health Care (CHC) clients that made up the original pooled budget due to either death or becoming ineligible for CHC.

Several discussions took place and it was agreed that an independent review was required in order to reach a conclusion to this dispute. In February 2019 an external consultant was commissioned to develop a tool that would accurately provide a split of social care costs for non CHC clients between health and social care.

Following the application of an agreed tool on a sample of 35 clients it was determined that the average split of costs was 26% to CCG and 74% to the council.

The outcome of the exercise using the agreed tool is still being discussed. Any settlement will involve negotiations between the Chief Executive, ASC Executive Director and Walsall CCG. Legal advice will need to be sought before this matter can be concluded.

Contingent Liability
In 2016/17 CCG paid the full contribution to the Learning Disabilities Pooled Budget. This would have to be deducted from any of the contribution agreed under the contingent asset, once the agreement has been reached on identifying the health costs currently paid for by ASC.

In accordance with IAS37 Provisions, Contingent Liabilities and Contingent Assets the council is not in a position to disclose any further information at this stage.

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate collection fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of council tax and Non-Domestic Rates (NDR) and distribution to local authorities, preceptors and the government.

The council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund is to isolate the income and expenditure relating to council tax and NDR. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses declared by the billing authority in relation to council tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Walsall, the council tax precepting bodies are the West Midlands Police and the West Midlands Fire and Rescue Service (WMFS).

From the 2017/18 financial year the Council begun participating in a 100% Business Rates Retention pilot with Birmingham City Council, City of Wolverhampton Council, Dudley Council, Sandwell Council, Coventry City Council and Solihull Council, (known as the West Midlands Metropolitan Authorities) with each billing authority retaining 99% of NDR received and the remaining 1% to the WMFS.

The pilot operates on a no financial detriment principle. In other words, authorities cannot be worse off financially than they would otherwise have been had they not participated in a pilot.

NDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national Code of Practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the council's accounts. The Collection Fund Balance sheet meanwhile is incorporated into the council's consolidated balance sheet.

1. Collection Fund income and expenditure account

2017/18 Council Tax £m	2017/18 NDR £m	2017/18 Total £m		2018/19 Council Tax £m	2018/19 NDR £m	2018/19 Total £m
			Income			
(123.664)	0.000	(123.664)	Income from council tax	(131.521)	0.000	(131.521)
(123.664)	**0.000**	**(123.664)**	**Sub total**	**(131.521)**	**0.000**	**(131.521)**
0.000	(69.771)	(69.771)	Income collectable from business ratepayers	0.000	(72.302)	(72.302)
(123.664)	**(69.771)**	**(193.435)**	**Total income**	**(131.521)**	**(72.302)**	**(203.823)**
			Expenditure			
			Council Tax Precepts:			
108.471	0.000	108.471	Walsall Council	114.986	0.000	114.986
8.051	0.000	8.051	Police	8.966	0.000	8.966
3.947	0.000	3.947	Fire and Civil Defence	4.103	0.000	4.103
			Business Rates:			
0.000	(0.684)	(0.684)	Payments to Government	0.000	0.573	0.573
0.000	0.716	0.716	Payments to Fire	0.000	0.714	0.714
0.000	71.634	71.634	Payments to Walsall Council	0.000	70.162	70.162
0.000	0.337	0.337	Costs of collection	0.000	0.338	0.338
0.000	(1.454)	(1.454)	Transitional protection payments	0.000	(1.451)	(1.451)
0.000	0.004	0.004	Enterprise Zone relief	0.000	0.022	0.022
0.000	0.000	0.000	Deferred income	0.000	0.000	0.000
1.313	(1.409)	(0.096)	Provisions	1.513	0.317	1.830
0.151	0.000	0.151	Write offs	0.100	0.000	0.100
0.000	2.184	2.184	Provision for appeals	0.000	0.629	0.629
121.933	**71.328**	**193.261**	**Total expenditure**	**129.668**	**71.304**	**200.972**
(1.731)	**1.557**	**(0.174)**	**(Surplus)/deficit for year**	**(1.853)**	**(0.998)**	**(2.851)**
			Collection Fund Balance			
(6.581)	0.223	(6.358)	Balance brought forward at 1 April	(1.632)	1.780	0.148
0.448	0.000	0.448	Police - payment to / (from)	0.145	0.000	0.145
0.225	0.000	0.225	Fire - payment to / (from)	0.071	0.000	0.071
6.007	0.000	6.007	Walsall Council - payment to / (from)	1.948	0.000	1.948
0.000	0.000	0.000	Prior year balance adjustment	0.000	0.168	0.168
(1.731)	1.557	(0.174)	(Surplus)/deficit for the year (as above)	(1.853)	(0.998)	(2.851)
(1.632)	**1.780**	**0.148**	**Balance carried forward at 31 March**	**(1.321)**	**0.950**	**(0.371)**
			Allocated to:			
(1.471)	1.758	0.287	Walsall Council	(1.189)	0.834	(0.355)
0.000	0.004	0.004	Walsall Council Enterprise Zone	0.000	0.022	0.022
(0.107)	0.000	(0.107)	Police	(0.089)	0.000	(0.089)
(0.054)	0.018	(0.036)	Fire	(0.043)	0.010	(0.033)
0.000	0.000	0.000	Government	0.000	0.084	0.084
(1.632)	**1.780**	**0.148**		**(1.321)**	**0.950**	**(0.371)**

2. Calculation of tax base

Council tax derives from charges raised according to the value of residential properties, which have been classified in 8 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the council for the forthcoming year and dividing this by the council tax base (i.e. the equivalent numbers of Band D dwellings).

The council tax base for 2018/19 is as follows:

Band	Weighting	Number of dwellings on valuation list	Discounted value for council tax purposes	Band D equivalent	Band D equivalent for 2017/18
A	6/9	50,487	32,057	**20,894**	**20,798**
B	7/9	26,927	20,905	**15,902**	**15,669**
C	8/9	18,228	15,558	**13,525**	**13,348**
D	9/9	10,138	9,078	**8,879**	**8,819**
E	11/9	5,541	5,110	**6,108**	**6,078**
F	13/9	2,390	2,235	**3,157**	**3,131**
G	15/9	793	740	**1,207**	**1,163**
H	18/9	51	37	**71**	**68**
		114,555	**85,720**	**69,743**	**69,074**

3. Income from Business Ratepayers

The council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) which is multiplied by a uniform business rate set nationally by central government.

Central government set a baseline level of business rates income for each authority, identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to central government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Walsall received a top up grant to the General Fund in 2018/19 to the value of £25.832 million (£32.569 million in 2017/18).

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion to the precepting shares.

For 2018/19, the total non-domestic rateable value at the year-end is £189.727 million (£191.167 million in 2017/18. The national multipliers for 2018/19 were 48.0p for qualifying small businesses, and the standard multiplier being 49.3p for all other businesses (46.6p and 47.9p respectively in 2017/18).

4. Council Tax / NDR Allowance for impairments and NDR provision for valuation appeals

The collection fund account provides for an allowance for impairments to council tax arrears.

2017/18				2018/19		
Walsall £m	Preceptors £m	Total £m		Walsall £m	Preceptors £m	Total £m
(5.981)	(0.662)	(6.643)	Balance at 1 April	(7.141)	(0.812)	(7.953)
(0.180)	(0.020)	(0.200)	Write offs during year for previous years	(0.107)	(0.014)	(0.121)
(0.980)	(0.130)	(1.110)	Contributions to provisions during year	(1.172)	(0.221)	(1.393)
(1.160)	**(0.150)**	**(1.310)**	**Net (Increase) / Decrease in Provision**	**(1.279)**	**(0.235)**	**(1.514)**
(7.141)	**(0.812)**	**(7.953)**	**Balance at 31 March**	**(8.420)**	**(1.047)**	**(9.467)**

The collection fund account also provides for an allowance for impairments to NDR arrears.

2017/18				2018/19		
Walsall £m	Preceptors £m	Total £m		Walsall £m	Preceptors £m	Total £m
(1.756)	(1.828)	(3.584)	Balance at 1 April	(2.154)	(0.022)	(2.176)
0.000	0.000	0.000	Write offs charged to the allowance for non collection	0.549	0.006	0.555
(0.398)	1.806	1.408	Contributions to provisions during year	(0.863)	(0.009)	(0.872)
(0.398)	**1.806**	**1.408**	**Net (Increase) / Decrease in Provision**	**(0.314)**	**(0.003)**	**(0.317)**
(2.154)	**(0.022)**	**(2.176)**	**Balance at 31 March**	**(2.468)**	**(0.025)**	**(2.493)**

Business rate payers can appeal against their rateable value. Any appeals lodged with the Valuation Office Agency (VOA) that have not been settled by 31 March 2019 require a provision to be set aside in the collection fund account. Walsall's share of this provision, £7.498 million, is shown in note 34 page 91.

2017/18				2018/19		
Walsall £m	Preceptors £m	Total £m		Walsall £m	Preceptors £m	Total £m
(2.604)	(2.711)	(5.315)	Balance at 1 April	(7.424)	(0.075)	(7.499)
0.000	0.000	0.000	Amounts utilised in the year	1.044	0.010	1.054
(4.820)	2.636	(2.184)	Contributions to provisions during year	(1.118)	(0.011)	(1.129)
(4.820)	**2.636**	**(2.184)**	**Net (Increase) / Decrease in Provision**	**(0.074)**	**(0.001)**	**(0.075)**
(7.424)	**(0.075)**	**(7.499)**	**Balance at 31 March**	**(7.498)**	**(0.076)**	**(7.574)**

There are no comparative amounts for 2017/18 for allowance for impairment and appeals provision for NDR as the government return for 2018/19 has been completed on a different basis. This has required additional information to be disclosed on the face of the form and hence the disclosure within these accounts.

Trust and scholarship accounts

The council is responsible for the administration of some individual trust funds.

These funds do not belong to the council but it is ensured that they are used in accordance with the aims of the particular Charity or Trust deeds.

The capital sums have been invested in statutory securities and in the case of most funds administered by Children's Services and Change & Governance. The interest is used to provide scholarships and prizes. The council currently administers 3 trusts:

- SW Tame Fund – for the purposes of prizes at Joseph Leckie School. Current fund balance £586 (2017/18 £586).
- John Leckie Memorial Fund – for the provision of scholarships. Current fund balance £29,714 (2017/18 £29,714).
- Walsall Agricultural Fund – for the provision of a prize fund. Current fund balance £774 (2017/18 £774).

Walsall Council also provides an administrative and accountancy support service for the following Charities:

- Blanch Woolaston Charity
- CC Walker Charity
- Fishley Educational and Apprenticeship Charity
- Merrions Wood Trust
- Shelfield Playing Fields
- Walsall Wood Allotment
- WJ Croft Relief for the poor Charity
- Barr Beacon Trust

Monies for residents in council care homes

In addition the council also holds monies on behalf of residents of council care homes who are unable to administer their own affairs. These monies are held in the council's bank account. For 2018/19 the balance of residents' monies held was £3.000 million (£2.140 million in 2017/18).

Section B – Annual Governance Statement

Annual Governance Statement

1. Scope of responsibility

This statement is given in respect of the 2018/19 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 this 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 and sets out its commitment to good governance. This statement explains how Walsall Council has complied with the Code and also meets the requirement of the Accounts and Audit Regulations 2015.

2. The purpose of the Governance Framework

The governance framework comprises the systems, processes, and behaviours 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 2019 and up to the date of approval of the Statement of Accounts (July 2019).

3. The Governance Framework

The key elements of the council's governance arrangements, including the system of internal control, are contained in the council's Local Code of Governance. The Code in force during 2018/19 is available at the following link. Code of Governance. The Local Code of Governance incorporates seven core principles of good governance:

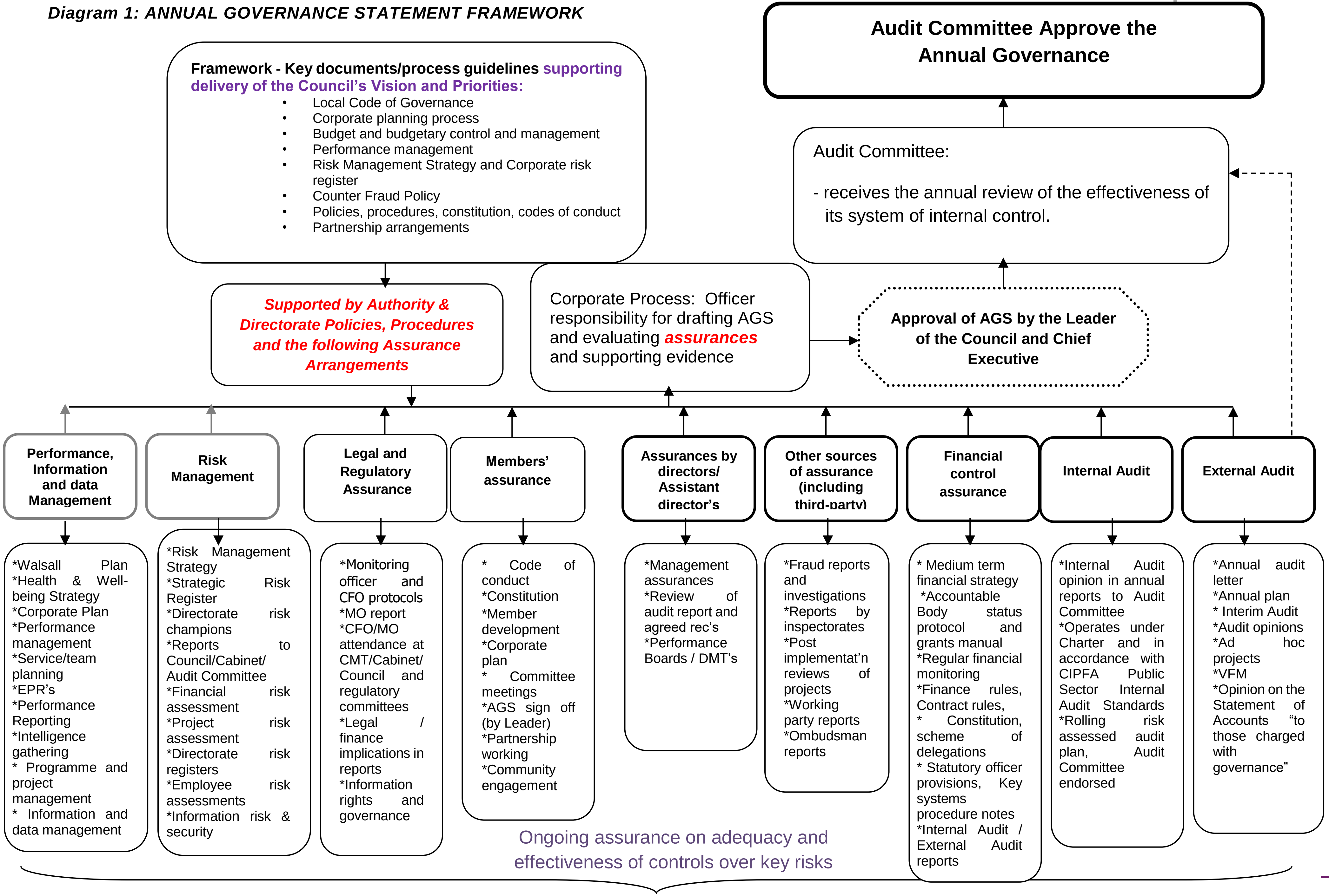
1) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
2) Ensuring openness and comprehensive stakeholder engagement.
3) Defining outcomes in terms of sustainable economic, social, and environmental benefits.
4) Determining the interventions necessary to optimise the achievement of the intended outcomes.
5) Developing the entity's capacity, including the capability of its leadership and the individuals within it.
6) Managing risks and performance through robust internal control and strong public financial management.
7) Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The Local Code also sets out how the council will put these into practice, including by (list is not exhaustive, see Local Code for full list):

- *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.*
- *Ensuring openness and comprehensive stakeholder engagement.*
- *Defining outcomes in terms of sustainable economic, social, and environmental benefits.*
- *Determining the interventions necessary to optimise the achievement of the intended outcomes.*
- *Developing the entity's capacity, including the capability of its leadership and the individuals within it.*
- *Managing risks and performance through robust internal control and strong public financial management*
- *Implementing good practices in transparency, reporting, and audit to deliver effective accountability.*

The governance framework consists of the local Code of Governance supported by the strategies, corporate systems, policies, practices and processes, spanning the whole range of the council's activities. This includes management information, finance 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 employee performance review (EPR) framework, a risk management strategy and process, and a system of officer and member delegation and accountability and codes of conduct. Diagram 1 illustrates the overall governance framework which is discussed in more detail in the following sections.

Diagram 1: 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 Partnership Plan (Walsall Plan – the Health and Wellbeing Strategy for the borough), setting out ambition, objectives and priorities of the council and key partners, developed following consultation with the community and stakeholders – supported by our Corporate Plan 2018-2021.
- A robust financial framework, incorporating a comprehensive medium term financial strategy and plan, budget management and control framework, supported by financial procedures and guidelines underpinning sound financial management, reporting and standing.
- An information governance framework.
- A comprehensive risk management strategy and internal control framework, operating at both strategic and operational levels.
- An approved Constitution, including finance and contract rules, a scheme of delegations and decision-making processes of the Council, ensuring sound decision making and compliance with regulations and the law.
- Standards Committee, Audit Committee, scrutiny function and other regulatory committees.
- Statutory Monitoring and Chief Finance Officers ensuring the council operates within existing legislation and statutory guidance.
- Comprehensive policies and procedures, including codes of conduct (member and officer ethics and behaviours), whistle blowing policy and a counter-fraud and anti-corruption policy and strategy.
- Clear measures of financial performance linked to the corporate plan.
- The preparation of regular reports to managers, executive directors, Corporate Management Team (CMT) and elected members which indicate actual expenditure against budget and highlight remedial action, where required.
- Use of an accountable body status protocol and grant management arrangements when the council acts as accountable body for funds, including in relation to partnership working to ensure that activities are administered consistently and robustly across the council.
- A risk assessed Internal Audit plan that is planned in advance which and covers all major systems of internal control and which is based on a risk assessment of key systems and controls.
- An internal audit function that operates in accordance with the CIPFA Code of Practice, compliance with which is assessed.
- An independent external audit function which reports on the financial and governance arrangements of the council.
- Member and officer development strategy and individual development planning processes.
- Comprehensive communication and consultation arrangements both internally and externally.

There are a number of key elements of the governance framework and internal control environment which assist the council in monitoring and managing the achievement of its objectives. These are included in the council's published overarching strategies and plans including; the Walsall Plan; the

Corporate Plan (both informed by key strategic needs assessments - the joints strategic needs assessment, economic needs assessment and community safety needs assessment; Medium term financial strategy, corporate budget plan, capital strategy, risk management strategy; treasury management and investment strategy; change management approach, and directorate strategy and planning documents. These documents set out the council's priorities.

The Corporate Plan 2018-2021 explains what we are doing as a Council and what we are trying to achieve. Key achievements delivered against priorities over the last 12 months were reported to Cabinet on 24 April 2019. The report can be accessed at the following link: Corporate Plan Achievements 2018/19

Responsibility for managing performance lies with individuals at all levels in the organisation and the current performance management framework and approach taken continues to aim to empower staff, services and leadership to apply the principles of performance management appropriately as required to individual circumstances. The council is currently reviewing the corporate performance management framework to suit the measures being reported on and an increased focus on delivery of activity to address the priority issues.

The council's Constitution sets out how the authority operates and refers to required procedures to be followed to ensure all activity and decision-making is transparent and accountable to the local community. This includes a scheme of delegation and contract and finance rules which set out the control environment in which the council operates. The Constitution was reviewed and updated during 2018/19; and again in May 2019.

The Constitution also sets out Codes of Conduct for members and officers, setting out appropriate standards of conduct and expectations around ethics and behaviours.

The council has an established 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 corporate and operational risks, and this extends to an assessment of risks in financial planning and major projects and partnerships. Following Audit Committee approval of a revised Risk Management Strategy and risk work programme in February 2018, progress against the programme was reported to Audit Committee during 2018/19, including implementation of a revised Strategic Risk Register (SRR), which was subject to examination by the Committee. Committee received reports on risk management at their July 2018 and April 2019 meetings on the SRR and directorate risk register updates

During 2018/19, a fundamental review of the Strategic Risk Register (SRR) was undertaken along with the embedding of work to review strategic risks. Work is ongoing to develop the approach further during 2019/20 and regular updates will continue to be reported to Audit Committee. Further work on assurance mapping will also be undertaken during 2019/20 which will inform improvements to the Governance Framework.

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.

The council has a robust medium term financial strategy and a rolling four year plan to support delivery of resource allocation in line with council priorities. This is regularly reviewed in light of ever-changing financial and economic conditions and pressures arising from demand led services.

The Executive Director, Resources and Transformation and S151 Officer was responsible during 2018/19 for the proper administration of the Council's affairs, as required by Section 151 of the Local Government Act 1972. The AGS is required to contain a statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The Statement sets out five principles which define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them. In assessing these five principles, the Authority complied with all of these during 2018/19.

Arrangements for the provision of Internal Audit are contained within the council's Constitution. The council, via its statutory S151 Officer must ensure that there is an adequate and effective Internal Audit of accounting records and of its systems of internal control as required by the Accounts and Audit Regulations 2015.

Executive directors and accountable budget and asset owners are required to provide assurance via internal audit reports and where appropriate, to Audit Committee, that agreed audit actions are being implemented, 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 summary reports of audits receiving a no or limited assurance opinion and external audit recommendations and actions and seeks to ensure that control weaknesses where identified are addressed. The Committee has a function in respect of the system of internal control and its effectiveness and the work of the Committee includes the review of the Annual Governance Statement and its formal approval in September of each year.

4. Review of Effectiveness

Walsall Council (via Audit Committee) has a statutory 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 and assurance obtained from:

- The annual work programme of the Audit Committee including receiving, considering and reviewing reports on the work of Internal and External Audit, including reports on internal controls, risk management, grants, the external auditor's Interim Audit, it's opinion on Value for Money and the financial resilience of the council, the external audit opinion on the statement of accounts and the annual audit and inspection letter.
- A review of AGS via key questions by Internal Audit during 2018/19 to assess the extent to which compliance with the framework has been met.
- Internal Audit's Annual Opinion Report.
- The annual responses from Audit Committee, the Monitoring Officer and Chief Finance Officer to external audit in relation to management processes and arrangements and oversight of these.
- Findings of the external auditor and other review agencies and inspectorates, and council actions to address these.
- Cabinet, corporate management team and senior officers monitoring the effectiveness of the governance framework through receiving monitoring reports on performance and financial management and risk management, including progress against key objectives and measures and corrective action planning; the overall financial position; updates on performance in relation to management of key risks to the organisation; and receiving regular reports via Audit Committee on the internal control mechanisms in place and their effectiveness.

- The monitoring and regular review of the Council's Constitution, Codes of Conduct, and committee, officer and member governance processes (delegations, finance and contract rules, etc).
- Review and reporting of financial health indicators and financial procedures.
- Improvements recommended by Audit Committee on the framework for reporting such as the Corporate Risk Management Strategy, Strategic Risk Register, Corporate performance Management Framework and Counter Fraud arrangements.
- The work of the executive directors and managers within the authority who have responsibility for the development and maintenance of the governance environment.
- The Chief Executive and the Leader of the Council and elected members, via the Audit Committee, who formally consider and approve the Annual Governance Statement (AGS) annually.

In respect of the system of internal control, a review of the following areas has been undertaken and reported to Audit Committee on 18th June 2018 to inform the overall opinion as to the effectiveness of the system of internal control:

- The work of the Audit Committee in 2018/19 in:
  - receiving limited assurance internal audit reports.
  - reviewing the risk management strategy, strategy risk register and approach.
  - reviewing the corporate performance management framework
  - approving accounting polies, the statement of accounts and the annual governance statement
  - reviewing counter fraud arrangements
- Internal Audit evaluation of the effectiveness of the council's risk management, control and governance processes; identified control weaknesses 2018/19 and the Annual Opinion.
- Progress in addressing governance Issues and control weaknesses identified in the 2017/18 AGS and progress in addressing these.
- The work of Internal Audit to assess the extent to which compliance with the AGS framework has been met by the council.
- The work of Internal Audit and compliance with Public Sector Internal Audit Standards which came into effect on 1 April 2013.
- Regular reporting to and scrutiny by Audit Committee of strategic risks.
- The work of other regulatory Committees – Standards.
- The work of Inspectorates and the council's response and actions plans to address Inadequate findings.
- The work of external audit.
- The work of scrutiny and oversight of Ofsted Inspection report and action plans.
  - Financial and performance reporting, including in relation to financial and budgetary control, risk, information governance and data protection arrangements, and other supporting evidence.

Some control weaknesses were identified as a result of the work of the above evaluation and actions have been put in place to address the findings and follow ups will be undertaken, and feedback reported to the Committee as appropriate.

5. Significant Governance Issues

Officers who drafted this Annual Governance Statement, evaluated assurances and supporting evidence, have concluded that the effectiveness of the governance framework, in respect of the system of internal control is satisfactory overall.

Identified control weaknesses have been reported to Audit Committee throughout 2018/19 as they arose and are summarised in the Annual Review of Effectiveness of the System of Internal Control report to Audit Committee on 22nd July 2019. Actions are in place to address these.

....
Dr Helen Paterson
Chief Executive
Date: 9 July 2019

....
Councillor Mike Bird
Leader of the Council
Date: 9 July 2019

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.

Glossary

A

Academy School: State-funded schools in England which are directly funded by the Department for Education and independent of local authority control

Accounts and Audit Regulations 2015: The current set of regulations which detail the accounts needed, how they should be published, the right of electors, and the conduct of the annual statutory audit.

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.

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.

AGS: Annual Governance Statement.

Amortisation: Loss in value of an intangible asset due to age or obsolescence.

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.

B

Balance Sheet: A statement of the recorded assets, liabilities and other balances at the end of an accounting period.

Balances: The reserves of the council, both revenue and capital, which represent the accumulated surplus of income over expenditure on any of its funds.

BCF: Better Care Fund - a programme spanning both the NHS and local government which seeks to join-up health and care services, so that people can manage their own health and wellbeing, and live independently in their communities for as long as possible.

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 and Rescue and Police Authorities.

BIA: Birmingham International Airport

Budget: A statement of the council's expected level of service expressed as an amount of spending over a set period, usually one year.

Business Rates Retention Scheme: Scheme applicable from 1 April 2014 in relation to NDR.

C

Cabinet: The executive decision making body of the council made up of portfolio holding executive members.

Capital Adjustment Account: Financing of capital expenditure and statutory adjustments 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.

Carrying Amount: The balance held on the balance sheet as at the year end date.

Cash and cash equivalents: This comprises cash in hand, cash overdrawn and short term investments which are readily convertible into known amounts of cash.

Cash flow: Movement in money received and paid by the council in the accounting period.

Cash flow statement: Statement showing the cash inflows and outflows during the year.

CCG: Clinical Commissioning Group

Charity: Trust created for advancement of education, promotion of public health and comfort, relief of poverty, furtherance of religion, or any other purpose regarded as charitable in law.

Chartered Institute of Public Finance and Accountancy (CIPFA): The professional body that oversees accounting practice within public bodies.

Chief financial officer (Section 151 Officer – Local Government Act 1972): Statutory officer responsible for managing the financial risks and financial planning of the council.

CIPFA Code of Practice on Local Authority Accounting: The Statement of Recommended Practice applicable to preparing the accounts.

Collection Fund: A statutory account which billing authorities have to maintain for the collection and distribution of amounts due in respect of council tax and non-domestic rates (NDR).

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.

Community School: A type of state-funded maintained school in which the local authority employs the school's staff, is responsible for the school's admissions and owns the school's estate

Comprehensive income and expenditure statement (CIES): This shows the council's net expenditure on providing services during the year, based on proper accounting practices, prior to adjustments required for taxation purposes.

Comprehensive Spending Review (CSR): Review by central government to determine spending priorities for the following three years. This review determines the level of funding for local government.

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 gain will be realised 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.

Corporate management team (CMT): The most senior management team within the council. Responsible for ensuring decisions made by cabinet and council are implemented within the authority.

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.

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.

Curtailments: Costs incurred as part of pension costs for redundancy/efficiency retirements.

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.

Dedicated Schools Grant (DSG): Funding from central Government whose sole purpose if to fund the provision of an education service.

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).

Depreciation: The loss in value of a tangible fixed asset due to age, wear and tear, deterioration or obsolescence.

Depreciated Replacement Cost (DRC): A valuation technique that is based on the current cost of reproduction or replacement of an asset less deductions for depreciation based on an assets current remaining life.

De-recognition: The reduction in asset values due to transferring ownership of assets.

DfE: Department for Education – responsible for Government policy and advice in connection with education and the social welfare of children and families.

Discounted Cash Flow (DCF): A method of estimating an investment's current value based on the discounting of projected future revenues and costs.

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

E

Earmarked reserves: These reserves represent the monies set aside that can only be used for a specific usage or purpose.

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.

Equity: Stocks and shares that represent an ownership interest in a company.

F

Fair Value: An estimate of the potential market price of an asset or liability.

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 assets: Tangible assets which have value to the council for more than one year, e.g. land, buildings, equipment.

Foundation School: A state-funded maintained school where the governing body has greater freedom in the running of the school than in community schools. Foundation schools were set up under the School Standards and Framework Act 1998.

G

General Fund: The main revenue account of the council, which brings together all income and expenditure other than recorded in 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 council.

H

Historical cost: The actual cost of assets, goods or services, at the time of their acquisition.

Housing benefits: Financial assistance paid to tenants on a low income to help pay their rent and service charges.

I

ICES: Integrated Community and Equipment Store

International Accounting Standard (IAS): Standards for the preparation and presentation of financial statements created by the International Accounting Standards Committee.

IFRIC: International financial reporting interpretations committee.

Impairment: Downward revaluation due to the consumption of economic benefits.

Income: Amounts due to the council in respect of services performed, taxes levied or grants receivable during the accounting period, irrespective of whether or not any movement of cash has taken place.

Infrastructure assets: Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

International financial reporting standard (IFRS): Accounting standards that have replaced SSAP and FRS from the 2010/11 financial year. All accounts from this period will be reported under these standards.

Inventories: 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.

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).

ISB: Individual Schools Budget

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.

LEP: Local Enterprise Partnership

Levies: A charge from a public sector body towards the services they provide.

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 have 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

Maintained School: State-funded schools in England which are under local authority control and funded by the local authority using Dedicated School Grant provided by the Department for Education.

Materiality: 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 (MRP): The minimum amount which must be charged to a council's revenue accounts and set aside as a provision to repay external debt. It is calculated by applying a prescribed percentage of outstanding debt.

Movement in reserves statement: Statement that shows the movement in all the council's reserves over the year and the movements required for taxation purposes.

N

Non-domestic rates (NDR): A tax levied on business properties, sometimes known as Business Rates.

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-Distributed costs: Costs that are not allocated to specific services as required by the accounting code of practice.

Non-operational assets: Fixed assets held by the council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements pending sale or redevelopment.

O

Operating lease: A lease where the risks and rewards of ownership of a fixed asset remain with the lessor. Such a lease will be for a fixed period which is significantly less than the useful economical life of the asset.

Operational assets: Fixed assets occupied, used or consumed by the council in direct delivery of those services for which it has either statutory or discretionary responsibility.

P

PFI: Private Finance Initiative.

PPP: Public Private Partnership.

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.

Precepting authority: An authority which raises finance through another authority.

Prior year adjustments: Material adjustments to the accounts of earlier years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provisions: Amounts set aside in the accounts for liabilities or losses which are certain or very likely to occur but where there is uncertainty as to the amounts involved or the dates on which they will arise.

Prudential Code: The current system on financial controls for capital financing introduced on 1 April 2004 that local authorities are required to operate by.

Public 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 asset's value following valuation by a suitably qualified person.

Revenue contributions: Method of financing capital expenditure directly from revenue.

Revenue expenditure funded from capital under statute (REFFCUS): This is expenditure that would normally be classed as revenue under normal accounting rules, but legislation has defined as being capital expenditure.

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

Section 106 (s106): Legally binding agreement between the council and developers by which developers provide a contribution to assist in the redevelopment of a specified area and for a specified purpose.

T

Trust funds: Funds administered by the council on behalf of minors and others for such purposes as prizes, charities and specific projects.

U

Usable and unusable reserves: Usable reserves are those which the council can use to maintain its services whilst those that are unusable are not readily available resources and are held as balances.

V

Voluntary Aided School: A state-funded maintained school in England and Wales in which a foundation or trust contributes to building costs and has a substantial influence in the running of the school.

Voluntary Controlled School: A state-funded maintained school in England and Wales in which a foundation or trust has some formal influence in the running of the school.

Contact details and sources of information

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

Further information about police, fire and transport authority finances can be obtained at the following addresses:

West Midlands Combined Authority
16 Summer Lane
Birmingham
West Midlands B19 3SD
Website: https://www.wmca.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 Rescue
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 WV1 1XP
Website: http://www.wmpfonline.com

Information about Birmingham International Airport can be obtained from the following address:

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