

Financial Report for 2016/17

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

Subject to Audit



Walsall Council

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Section A – Statement of Accounts

Preface

Introduction to the 2016/17 Statement of Accounts



The 2016/17 financial year saw continued reductions in government funding and increasing costs across all of our public services, none more so than in the areas of children's and adult social care. The cost of providing adult social care looks set to rise over and above our ability to raise income, that means we will need to reduce our costs by transforming the way we deliver our services. An ambitious programme of change lies ahead, funded by a £2 million transformation fund.

Looking backwards since 2010, £137.5 million of savings have been implemented. Despite having to make these the council is in a positive stable financial position. This has been achieved through strong financial discipline, forward planning, and a robust budgetary process which set our financial plan over a four year period. The result of this discipline meant that in 2016/17 the council ended the year with a small operating underspend of £0.448 million.

2016/17 saw the establishment of the West Midlands Combined Authority. The deal with Government allows the West Midlands authorities to embark on an ambitious investment programme of £8 billion. The benefit to the local economy will be significant in future years. In addition from 2017/18 Walsall will retain 99% of its business rates. This comes with risks but also rewards. Any business rates growth will be retained to invest in the borough to meet the priorities set out in the Corporate Plan.

The rewards of capital investment in regenerating the borough are beginning to come through. Completion of the Primark and Co-operative developments within the town centre has stimulated further developments with new retail outlets expected to come on stream in 2017/18. Business rate yield is up nearly £9 million.

Significant capital expenditure will be required over the next two years to unlock the potential of land at junction 10 of the M6 which will bring new businesses and jobs into the borough.

These are exciting times.

A handwritten signature in blue ink, appearing to read 'James T. Walsh B.Hum (Hons) ACMA CGMA'. The signature is stylized with loops and flourishes.

James T. Walsh B.Hum (Hons) ACMA CGMA
Chief Financial Officer
1 June 2017

Narrative Report

1. Introduction

These accounts set out the financial results of Walsall Council's activities for the year ending 31 March 2017. 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 Chief Financial 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 and risks 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. However 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.

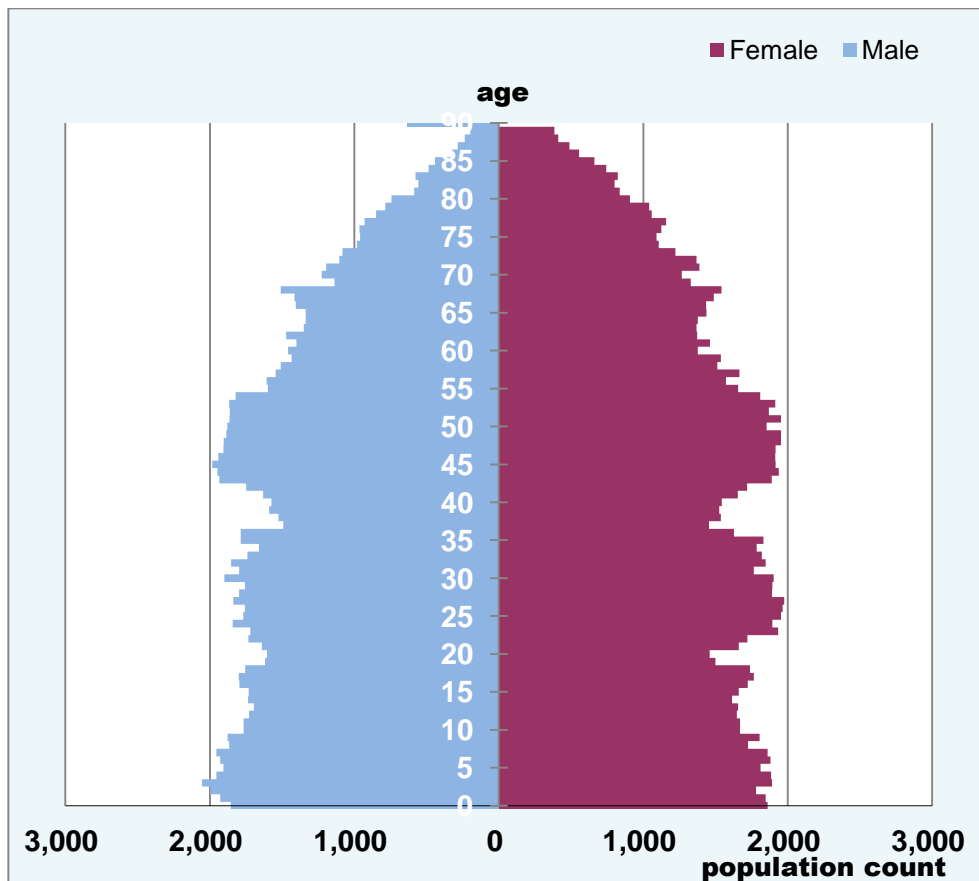
Walsall's diversity of places, population and communities contributes to the borough's vibrancy and is often what people celebrate about Walsall. This does mean however that no two places are the same and the borough's distinct communities face differing issues and challenges.

3. Key facts about Walsall

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 compared to national averages.

- Walsall has an estimated resident population of 274,173, of whom 49.1% are male and 50.9% are 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. The borough's total population is projected to exceed 300,000 for the first time by 2035.
- Walsall has a greater proportion of children than England as a whole. Walsall did not experience the same fall in numbers of children as England, and still has a greater proportion of very young children.
- Walsall has a higher proportion of people above retirement age than nationally (but only up to the ages of around 80, when this pattern reverses). This has implications for local services and the caring responsibilities on the rest of the population.

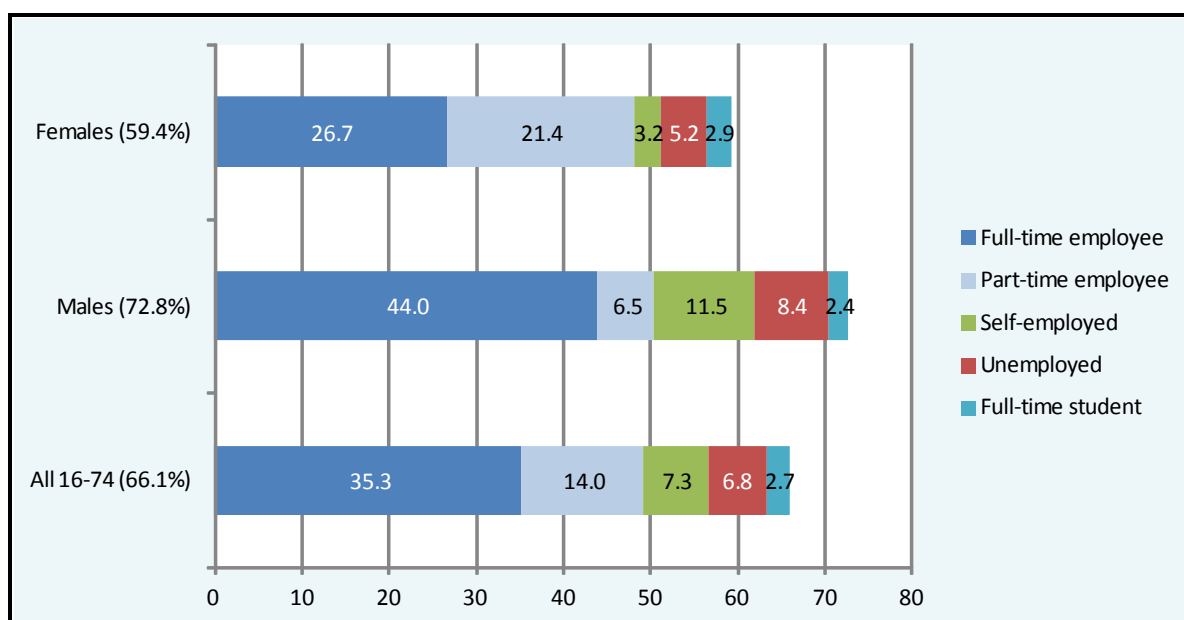
- The majority of residents in Walsall do not find their day-to-day activities affected by illness or disability over the long-term. However, around one in ten Walsall residents suffer from a long-term health problem or disability that substantially limits their day-to-day activities. This affects around 28,100 people, and at 10.4% of the borough's population is above the national average of 8.3%. A similar number of Walsall residents (10.3%) find their day-to-day activities limited a little – again higher than the national average (9.3%). Overall, health problems and disabilities limit the daily lives of one in every five people in Walsall.
- The General Fertility Rate (GFR) of an area is the number of live births per 1,000 women aged 15-44, and it provides a measure of current fertility levels. For every 1,000 Walsall women of child bearing age there were 71.3 live births in 2015 – which gives the borough a higher fertility level than the national average of 62.3. However when looking at Infant mortality Walsall is above the national average with 6.7 deaths per 1,000 compared to the national average of 3.9 per 1,000.
- There has been a significant increase in the level of ethnic diversity in Walsall over the past decade. While 'White British' remains the largest single group at 76.9%, the number of residents from a minority ethnic group has risen to almost one in four. This figure of 23.1% of residents in 2011 is an increase from 2001 when around 14.8%, or one in six residents, were from an ethnic minority. It is also above the 20.2% minority ethnic proportion of England as a whole in 2011. Nine out of ten Walsall residents (90.1%) were born in the UK. Walsall's minority ethnic population is not equally distributed (Pelsall ward has a non-white population of around 2% while in Palfrey it is almost 65%) but is instead largely concentrated into a few areas of the borough, primarily south of Walsall town centre: In some neighbourhoods, 'minority' ethnic groups account for over 90% of residents.
- People in Walsall have a greater level of religious affiliation than in England overall, with three quarters (74.0%) identifying with a religion compared with two thirds (68.1%) nationally. However, in the past decade the proportion of residents who have no current religion has doubled, to one in five.
- While a majority of Walsall residents still view themselves as Christian, this has fallen substantially over the 10 year period from 72.1% in 2001 to 59.1% in 2011, as it has nationally. In contrast, the number of Muslims in Walsall has increased from 5.4% to 8.2%.
- Deprivation is deeply entrenched in Walsall and has worsened with the recession. There are extremes of deprivation, with central and western areas typically much more deprived than eastern areas, although pockets of deprivation exist even in the more affluent parts of the borough. Walsall fares particularly badly in terms of education, income and employment deprivation and many of the issues that challenge the borough match the geography of deprivation. Walsall ranks as the 41st most deprived of the 326 Local Authorities in England, as last measured by the Indices of Multiple Deprivation (IMD) in 2015. That position has worsened since deprivation was previously measured in 2010, when Walsall ranked 30th out of 326. The IMD is a nationally-recognised small geography measure of deprivation; made up of seven domain indices: income, employment, health and disability, education skills and training, barriers to housing and services, living environment, and crime. It tells us a lot about our local communities and the poverty related pressures those areas experience.

Economy

Economic data from the 2011 census tells us that:

Economic activity

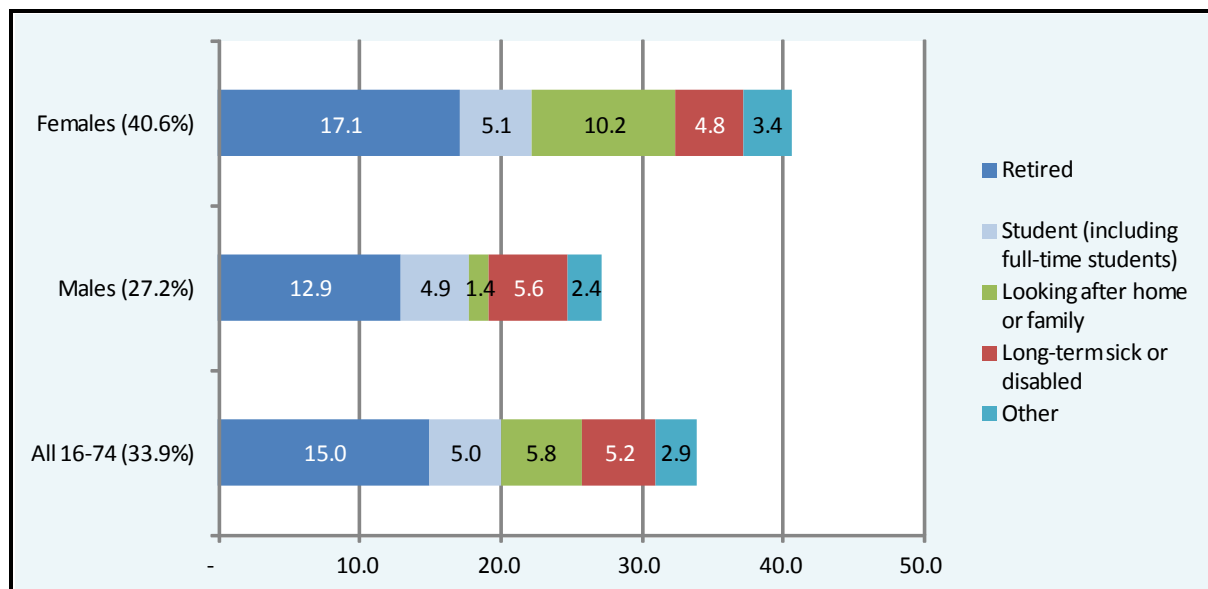
- In total, two thirds (66.1%) of Walsall's adult population are economically active (compared with 69.7% nationally). Economic activity is categorised into various groups as shown in Figure 1.
- Males are more likely to be economically active than females in Walsall. They are also more likely to be employed full time compared to females, or to be self-employed. More females than males are employed part time, with levels similar to those females in full time work.
- Unemployment levels reported by the census will vary from other measures collected by different methods. In total 6.8% of adults reported that they are unemployed, with figures higher for males than for females. This compares to 4.4% across England and Wales.



Economic activity of 16-74 year old residents in Walsall

Economic inactivity

- Economic inactivity is again presented as a proportion of residents aged between 16 and 74. More females are economically inactive than males, with one in ten looking after a home or family (compared with just 1.4% of males). A greater proportion of females are retired, due to a historically lower retirement age for women.
- One in twenty (5.2%) of Walsall adults are economically inactive because they are long-term sick or disabled (compared to 4.2% nationally).



Economic inactivity of 16-74 year old residents in Walsall

4. 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, Paul Sheehan.

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

- Children's Services, Executive Director - David Haley
- Economy and Environment, Executive Director - Simon Neilson
- Change and Governance, Executive Director – Julie Alderson
- Adult Social Care, Executive Director - Paula Furnival

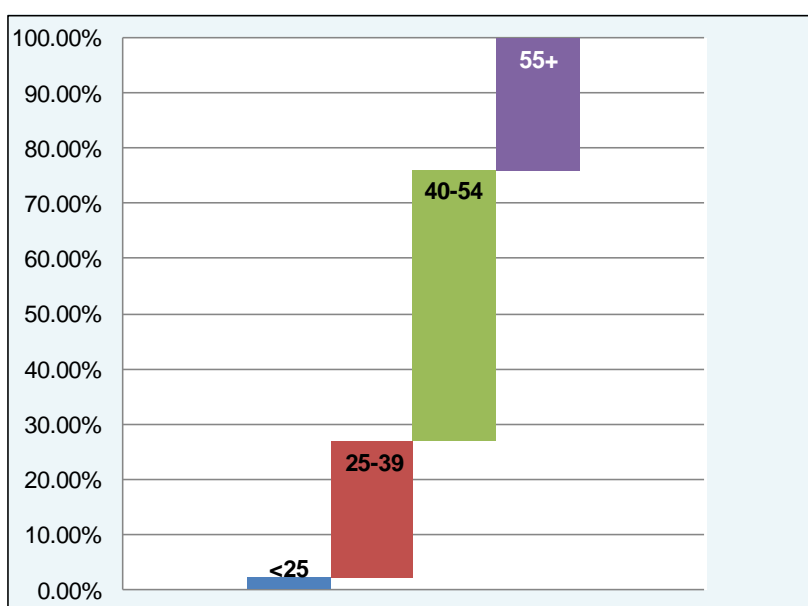
The role of the Corporate Management Team is:

- 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 2016 the council employed 3,635 people (3,984 as at 31 March 2015) excluding school based employees, of which 1,149 were male (1,229 as at 31 March 2015) and 2,486 were female (2,755 as at 31 March 2015). The graph below represents the age breakdown of the council's workforce. It shows that 48% of council's workforce is between 40 and 55, a 2% increase compared to the previous year. A further 24% are aged 55+ which represents no change 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 2017.

5. Corporate plan

The Corporate Plan 2017-20 sets out, at a high level, the 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 purpose

Reduce inequalities and maximise potential:

By working to reduce health, social and economic inequalities and creating an environment where the potential of the area, local businesses, communities and people can be maximised, we will ensure that Walsall is wonderful and 'A great place to live, learn, work and invest'.

We do this with limited resources and so must 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 shape the services we provide and we help those communities to make a positive difference to their own lives through civic engagement and cooperation.

Our priorities

Within the council's purpose the council recognises the importance of securing inclusive economic growth for people of all ages from the very young to the very old and providing clean, safe and healthy places for communities to thrive. These three elements of 'place', 'economy' and 'people' are intertwined and interdependent, meaning the delivery of services will continue to become more collaborative and joined up.



In considering where resources should be focussed and where improvements can be made the corporate priorities cover four broad areas:

- **Pursue inclusive economic growth**
Walsall people will have appropriate skills and access to jobs so economic benefits are felt in each of our communities.
- **Make a positive difference to the lives of Walsall people**
Increasing independence and improving healthy lifestyles so all can positively contribute to their communities.
- **Children are safe from harm, happy and learning well with self belief, aspiration and support to be their best**
Walsall children are provided with the best start in life so they can fulfil their potential and make positive contributions to their communities
- **Safe, resilient and prospering communities**
Walsall is a clean, safe and healthy place, with the right housing to meet need, accessible to all and with a strong sense of belonging and cohesion.

6. The council's 2016/17 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 2017, the council saw a net cost of services of £226.985 million (comprising £419.605 million gross income and £646.590 million gross expenditure). In addition to this the council also saw other taxation and non specific grant income of £276.086 million, other operating expenditure of £24.698 million and financing and investment income and expenditure of £24.826 million. This resulted in a small deficit on the provision of services of £0.423 million.

Overall the comprehensive income and expenditure statement (CIES) shows a deficit of £88.859 million for the year. This represents the deficit of £0.423 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 £39.278 million and re-measurement of pension fund assets and liabilities of £130.999 million. This amount can be reconciled to the movement on net assets between 2015/16 and 2016/17 on the balance sheet.

The cost of provision of services shows a deficit of £0.423 million, however general reserves have only reduced by £0.227 million. This is a result of the council making statutory adjustments of £0.491 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 £0.687 million. These adjustments can be seen in note 10, page 58.

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	(14.131)	(14.131)	0.000	EFA
Use of general fund balances in year	0.349	(0.460)	(0.809)	EFA, 9
Transfers to/from earmarked reserves	0.326	0.687	0.361	EFA, 9
Closing general fund balance	(13.456)	(13.904)	(0.448)	EFA

The council had planned in-year use of general reserves of £0.349 million (see Council budget report 25 February 2016), a further £3.739 million allocated in year as approved by Cabinet and transfers of (£3.413) million (a net movement of £0.326 million) arising from a review and subsequent release of earmarked reserves. Therefore the net position for the council is an under spend against budget of £0.448 million.

General reserves have moved from an opening position of £14.131 million to a closing position of £13.904 million as at 31 March 2017 as a result of the net deficit of £0.227 million incurred. These movements can be seen within the movement in reserves statement on page 32.

Material movements in the CIES

Government grants have decreased by approximately £26 million mainly due to reduced funding from the Government Revenue Support Grant (RSG) and Rent Allowances Grant (note 20 page 71).

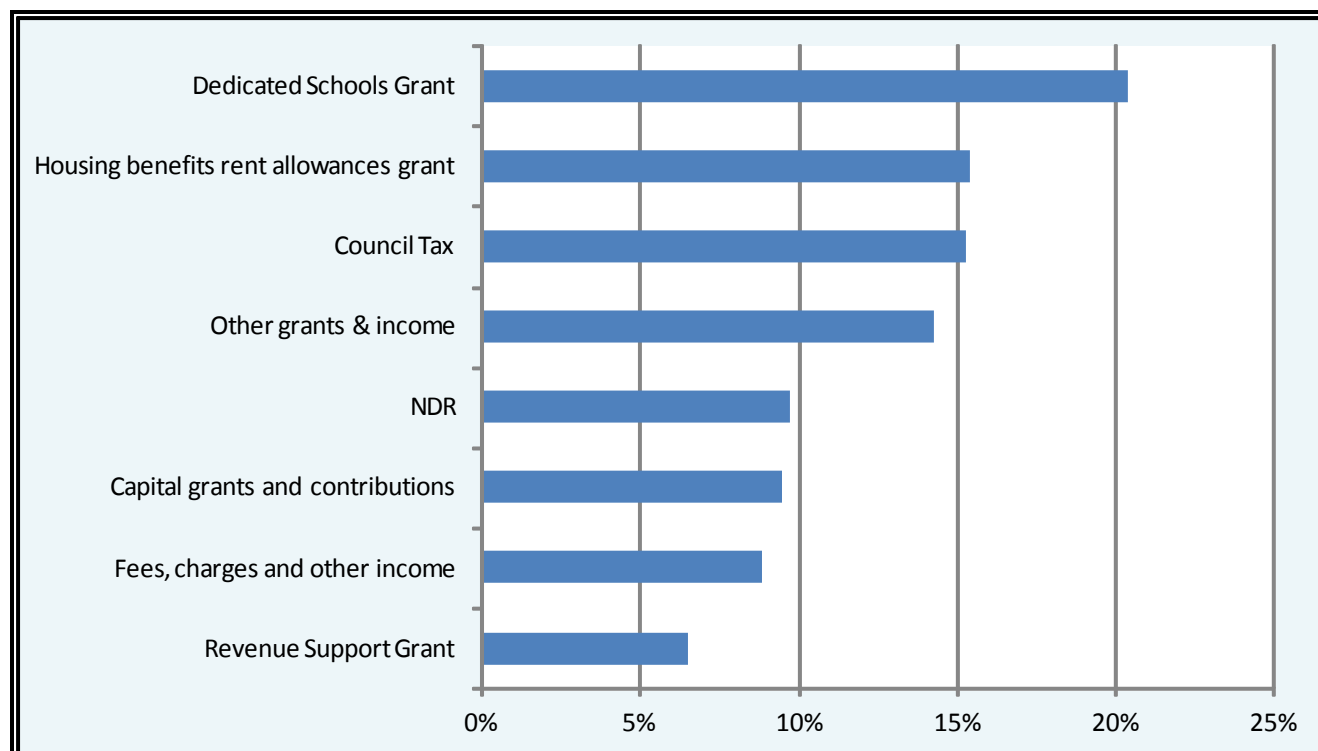
Capital Grant income increased by approximately £12 million as a result of the council receiving £47.130 million in Growth Deal funding during 2016/17 compared to £29.950 million during 2015/16 (note 20 page 71)

Other operating expenditure has decreased by approximately £13 million as a result schools converting to Academy status having a lower value, whereby approximately £25 million of losses on disposal of long term assets were incurred in 2015/16 compared to approximately £12 million in 2016/17 (note 5 page 54).

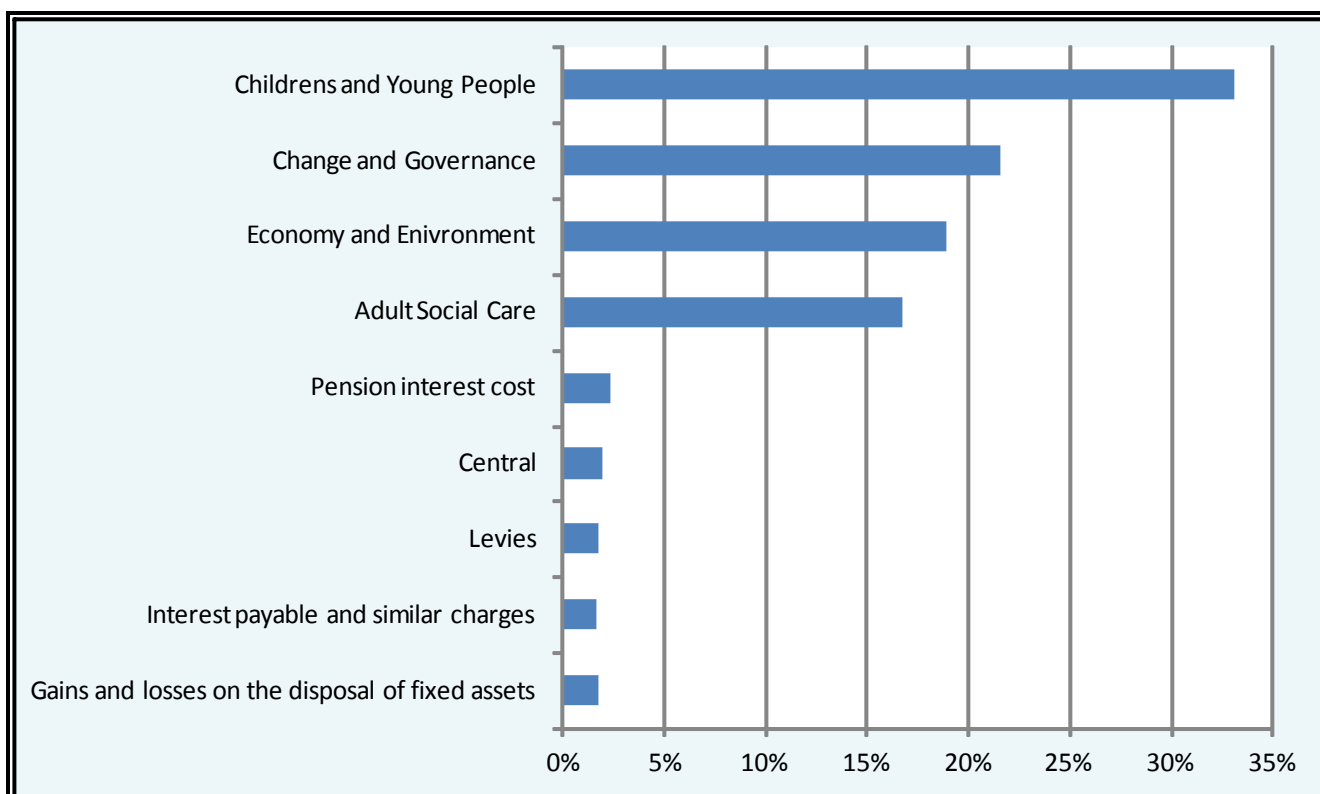
Financing and investment income has decreased by approximately £5 million as a result of the council receiving a special dividend from the investment in Birmingham Airport during 2015/16 (note 6 page 55).

The re-measurement loss on the pension fund of approximately £131 million represents a significant change in the funding status of the pension fund following a re-measurement gain in 2015/16 of approximately £55 million. The main change relates to losses arising from a change in financial assumptions. The council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation (note 17 page 65).

The following graph shows the sources of income received by the council within the CIES on page 30.



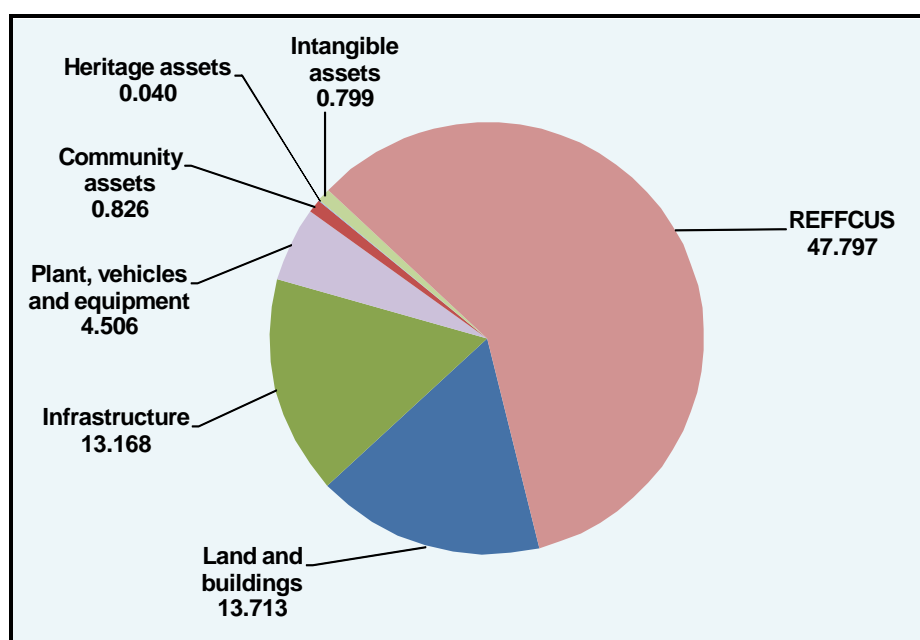
The following graph shows how the council's total expenditure within the CIES (page 30) is split between services.



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 2016/17 amounted to £80.847 million. The breakdown of capital expenditure (note 29, page 84) is shown below.



Capital expenditure for 2016/17 (figures in £m).

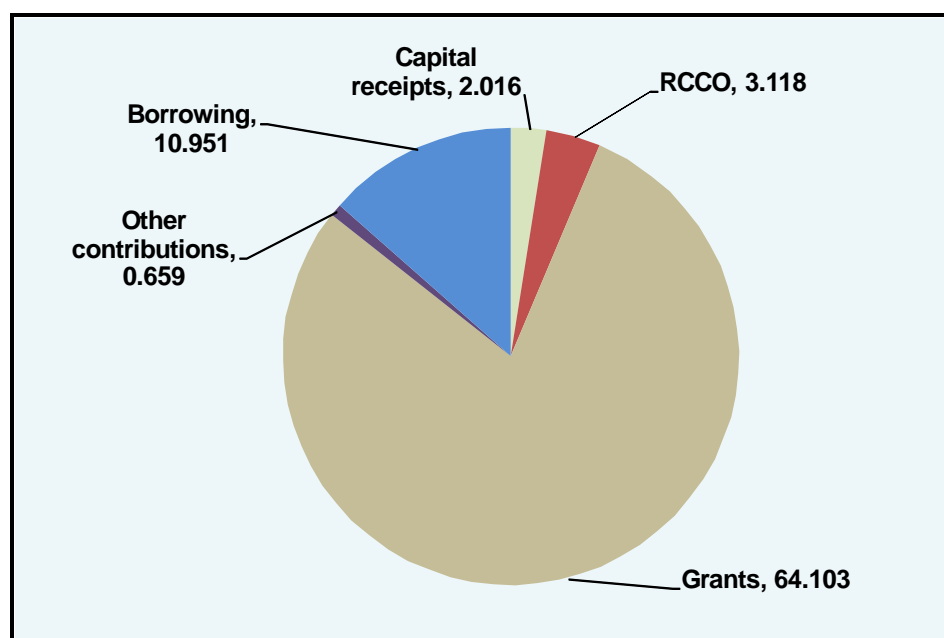
REFFCUS = Revenue Expenditure Funded From Capital Under Statute

The major areas of capital expenditure were £13.713 million on land and buildings, £13.168 million on infrastructure including roads maintenance and £47.797 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 approximate £42 million of Growth Deal grant received in 2016/17 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.

An example is grants made to owner occupiers of private houses to carry out improvements to enhance energy efficiency and capital expenditure to voluntary aided schools in the borough.

This expenditure was funded by grants and contributions (£64.762 million), borrowing (£10.951 million) and other council resources (£5.134 million). The capital expenditure for 2016/17 was funded by the following sources:



Sources of funding for 2016/17 (figures in £m).

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 31 on page 87) 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 2017 Walsall Council's balance sheet (page 34) shows a negative net worth of £206.751 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 1.86 (up from 1.77 in 2015/16). The council can cover its long-term borrowing by its long-term assets by 2.34 (up from 2.29 in 2015/16). 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 in a decrease of £88.859 million in total net assets from a negative £117.892 million to negative £206.751 million. However the majority of this change is due to a increase in the net pension liability of £136.889 million. Excluding the total net pension liability of £617.464 million (£480.576 million in 2015/16) the council shows a net asset balance of £410.713 million. This combined with the above ratios for liquidity and assets over liabilities demonstrate a sound financial position.

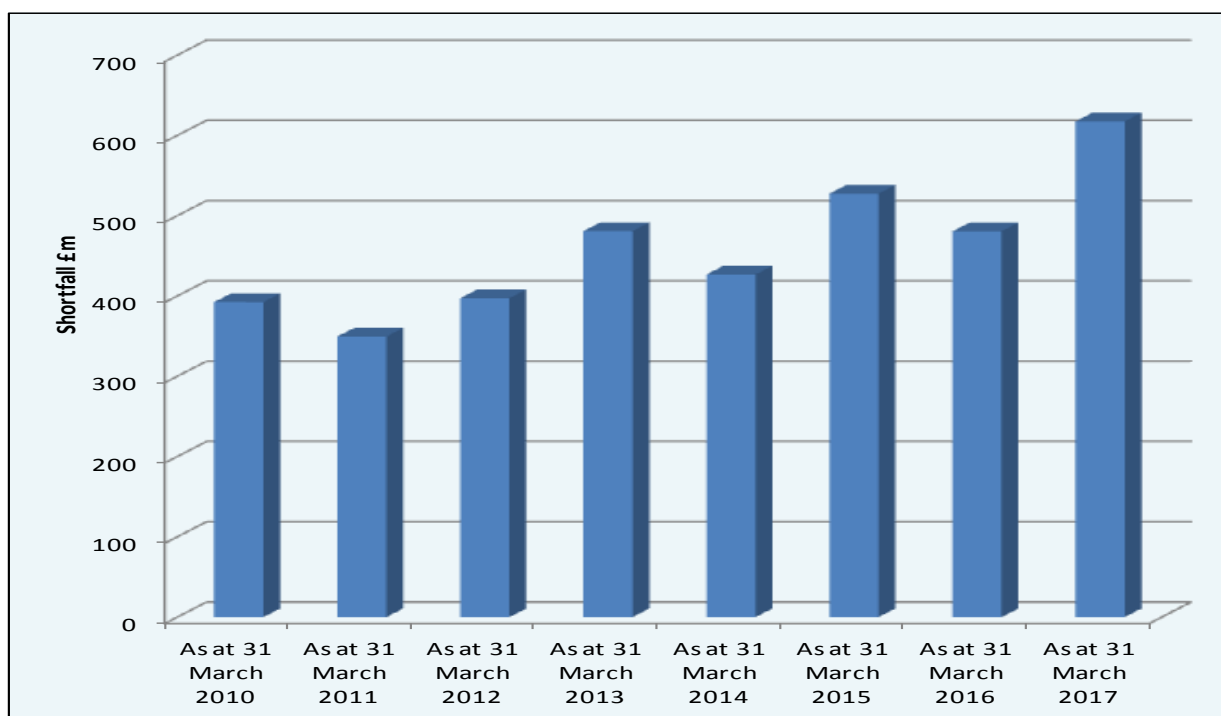
Material and unusual changes to non-current assets

During 2016/17 the only material change to non-current assets was due to three schools obtaining academy status. Further information about this can be found in note 23 page 79.

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 2017 there is an actuary calculated shortfall for Walsall Council of £617.464 million (£480.576 million at 31 March 2016) 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 20 years from 31 March 2016.

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. This is approved by full Council with oversight provided by Audit Committee.

The council ended 2016/17 with short term investments of £137.560 million (£112.187 million 2015/16). Use of these investments will be required to cash flow a three year upfront pension payment to the West Midlands Metropolitan Authorities Pension Fund in April 2017, and additionally to fund those capital projects currently underway where completion is due beyond 31 March 2017.

The target investment rate receivable by the council for 2016/17 was 1.10% however as at 31 March 2017 the actual rate was 1.07%. When compared to current market conditions this rate shows the council continues to maximise investment income. In cash terms this means the council received £2.040 million (£2.210 million in 2015/16) of investment income. This is in addition to £1.492 million (£4.791 million in 2015/16) of dividend income from shares held in Birmingham Airport.

At 31 March 2017 the council's external long term borrowing was £246.727 million (£233.379 million as at 31 March 2016). Short term borrowing as at 31 March 2017 was £29.418 million (£9.355 million as at 31 March 2016). Increases in both long term and short term borrowing were required to fund contributions to the West Midlands Metropolitan Authorities Pension Fund for 2017/18, along with advance contributions for 2018/9 and 2019/20 in April 2017.

The interest costs associated with this debt represent 5.4% of the net budget requirement for the year, at an average interest rate of 3.8% compared to the target interest rate for the year of 4.61%.

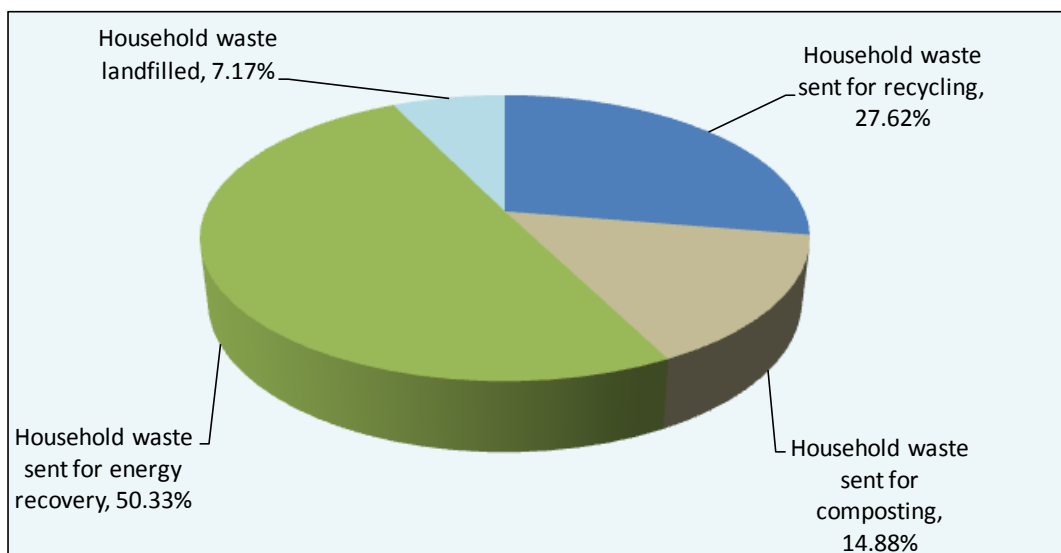
7. Environmental performance in 2016/17

Walsall's environment is vital for the borough and for the quality of life expected by residents, workers and visitors, and as such is recognised within the safe, resilient and prospering communities priority in the Corporate Plan.

Waste Recycling

The combined recycling and composting rate for Walsall remains steady at around 42%. During 2016/17 50.33% of the council's waste was sent to an energy recovery waste plant to generate electricity, with only 7.17% of waste going to landfill. The council during 2016/17 began new disposal and recycling contracts including extra materials such as carpets and mattresses going for recycling or to create refuse derived fuel. Historically these materials would have gone to landfill.

The following chart shows waste collected during 2016/17:



Carbon Reduction Commitment (CRC)

The Government proposes by 2018/19 to end the current mandatory scheme, which was aimed at improving energy efficiency and cutting emissions in large public and private sector organisations. The replacement will be a new universal Climate Change Levy on business, resulting in a new tax on the Council's energy costs which is expected to be offset by an annual saving on CRC allowances. Walsall Council is actively engaged in carbon reduction initiatives through its road resurfacing programme. In the last year Walsall used over 10,000 tonnes of low energy asphalt which resulted in a carbon saving of circa 3,000 tonnes.

Flood Defence

Adverse weather conditions have caused localised flooding issues across the borough. Additional investment for the implementation of preventative measures has been made available from DEFRA in the form of a Sustainable Drainage Grant. The funding has allowed the council to deliver a number of relatively low cost schemes which have had a significant impact on the risk to local residents and businesses.

We have successfully bid for in the region of £100k FDGIA (Flood Defence Grant in Aid) funding from DEFRA, to strengthen one of our major culverts, this will be a 2 year project covering 2017/18 & 2018/19.

Air Quality

Walsall continues to undertake air quality reviews and assessments as part of its statutory functions, reporting to central government on an annual basis. In support of this, a network of continuously operating air quality monitoring stations are operated and maintained throughout the year to determine likely exposure to nitrogen dioxide (a key strategic pollutant that impacts upon

health and quality of life), concentrations of which exceed the UK National Air Quality Objective and EU limit value around main road corridors across the borough. The council has produced a borough-wide nitrogen dioxide concentration model in support of this, which serves to aid a range of internal and external work streams.

A new air quality initiative commenced at the end of 2015 involving a partnership working arrangement with Public Health. This centres on particulate matter as PM_{2.5} (particulate matter less than 2.5 microns in size), for which there is no safe level in terms of adverse impacts on health. A programme of work covering a tranche of at least three years has been supported by the public health transformation fund, which has to date seen the deployment of four monitoring stations in order to provide real-world data. This will serve to verify and refine a PM_{2.5} base concentration model produced early in 2016, and in-turn inform a health impact analysis that is likely to encompass statistics related respiratory illness, hospital emissions, cardio-vascular disease/illness, prevalence of asthma etc. and the need for intervention as part of the public health outcomes framework.

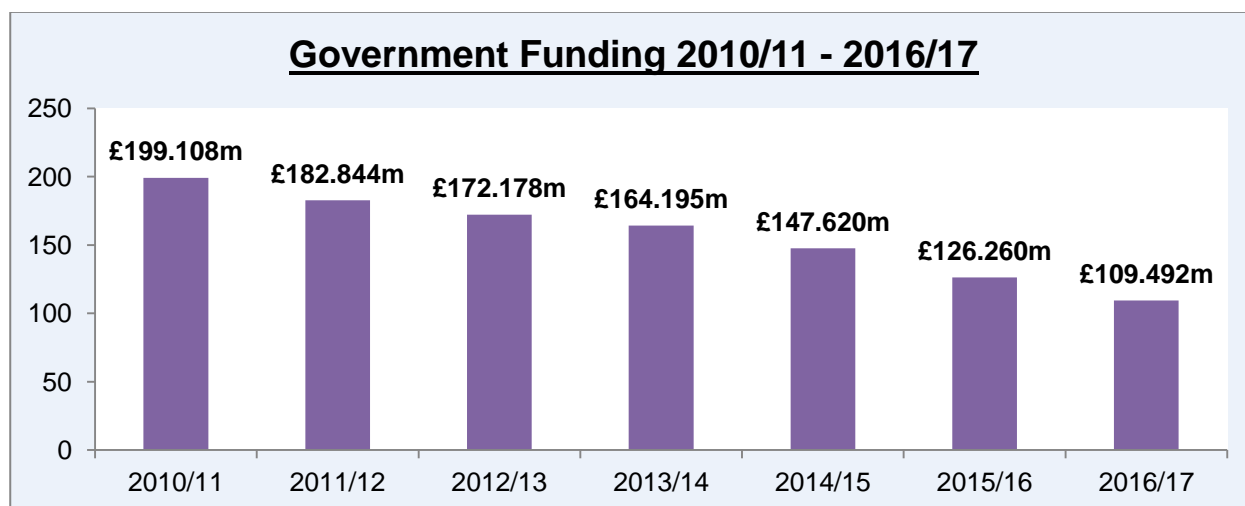
We will continue to develop the way in which we work both locally and regionally with key stake holders including neighbouring authorities, the West Midlands Combined Authority and the Mayor for the West Midlands.

8. 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 23 February 2017 looks over the lifetime of the spending review period 2016/17 to 2019/20 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

The majority of Walsall's funding comes from Government grant (60%). In 2010, Walsall received approximately £199 million of Government core funding support to deliver services, alongside income generated from council tax. Between 2010 and 2016, Government has cut funding by approximately £90 million. Alongside cost pressures over the same period savings totalling approximately £137.5 million have had to be implemented.



As at 31 March 2017 it is projected that by the end of the current Parliament, Walsall will be subject to a further reduction in revenue support grant of £28.21 million. This along with cost pressures, results in an additional saving requirement of approximately £55 million from 2017/18 to 2019/20, on top of the approximately £30 million required for 2016/17 (approximately £85 million over the four years). Subsequently the Government has announced a general election for June 2017, the result of which casts further uncertainty over the numbers quoted above.

By 2020/21 local government is 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%. The Government expects national increases in growth in rate yields to fully offset the reduction in core funding.

In October, Cabinet approved that Walsall be part of the West Midlands Combined Authority (WMCA) 100% BRR pilot. Government has indicated that this will be at 'no detriment' to participating authorities; however, there remains some uncertainty as to the final impact of full BRR.

The council's next largest source of funding is council tax (17.6% of the council's gross spend is funded from council tax). Government has historically placed restrictions on the amount that can be raised from this income stream, previously through 'capping', and now through the referendum principles. The council's budget included council tax increases of 4.99% in 2017/18, including a 3% adult social care precept, as allowed by Government.

Despite Walsall signing up to and being accepted for the multi-year settlement, future funding continues to be very challenging with significant uncertainties in local government finance grant levels, including public health, better care fund, 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 rising demand (for example, as a result of welfare reforms reducing individual's disposable incomes further, larger numbers of older people requiring support to remain independent, etc) and new burdens imposed by Government, but without the corresponding funding. There are numerous cost pressures in the system, the most significant being;

- Looked after children numbers and costs. There were 488 in March 2011, compared to 649 in March 2017. Average costs of a care package for a looked after child at March 2017 was £504.77 per week.
- Children social worker agency staff costs - arising from recruitment difficulties.
- Adult social care packages and placements costs. These have risen by £10.64 million in 5 years from £56.21 million in 2010/11 to £66.85 million in 2016/17.

The Medium Term Financial Outlook (MTFO)

The MTFO 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 MTFO 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 MTFO 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 MTFO 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.

2017/18 Revenue Budget Headlines

The revenue budget was constructed in accordance with the council's MTFO, Corporate Plan, and all relevant corporate financial protocols and presents a balanced budget, with:

- A focus on a policy-led, medium term, risk assessed budget setting using priorities established by Cabinet
- A total net council tax requirement of **£108.471 million**
- A 4.99% council tax increase, equivalent to a Band D Council Tax of **£1,570.35** (excluding precepts) and **£1,744.04** (including precepts)
- Investment of **£9.78 million** for Adult Social Care - £4.2 million covering ongoing pressures and £5.58 million for demographic changes, joint funding arrangements and contractual inflation
- Investment of **£6.62 million** for Children's Services cost pressures primarily to cover Looked after Children, management of caseloads, demographic changes and contractual inflation
- Provision for inflationary pressures outside of Adult and Children services of **£0.34 million**
- Provision for other known budget pressures, including cost pressures and reduced levels of income or grant, of **£5.92 million**
- Savings of **£22.00 million**, plus changes in council tax funding of £7.48 million
- Appropriate use of prudential borrowing to support capital investment where affordable and sustainable with revenue costs being reflected in this report.

Summary of the 2017/18 Capital Programme

The council has an asset portfolio of around £574m. 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 the council's capital strategy.

This strategy 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 2017/18 capital programme totals £52.55 million and is presented in two parts:

- Council funded programme (£15.88 million) - funded through borrowing and capital receipts. Of this £0.75 million 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.
- Grant programme (£36.67 million) - funded from capital grants.

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. 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.

9. Reporting requirements for the 2016/17 accounts

The 2016/17 code of practice, released in March 2016 changed the requirements for the presentation of the core financial statements. These accounts fully adopt these changes and prior year comparatives have been updated to aid comparison.

10. Reporting requirements for the 2017/18 accounts and beyond

Current legislation in line with the Accounts and Audit Regulations 2015 requires that an Authority's audited Statement of Accounts is submitted to the appropriate body (in Walsall, the Audit Committee) for approval by 30 September after the end of the financial year, in order to aid transparency, it also requires all local authorities to have a common thirty day public inspection period which includes the first ten working days in July.

From 2017/18 the authority will be required to submit the audited Statement of Accounts to Audit Committee for approval by 31 July after the end of the financial year.

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.

Expenditure and Funding Analysis (EFA)

The objective of the expenditure and funding analysis is to demonstrate to council tax payers how the funding available to the authority (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 authorities 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.

Balance sheet

The balance sheet shows the value of the assets and liabilities recognised by the council as at 31 March 2017. 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 Chief Financial Officer (Assistant Director – Finance).
- 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:

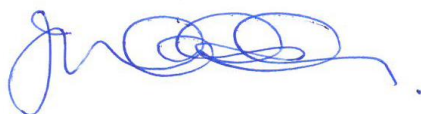
- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code.

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 2017. Please note that these draft statement of accounts are unaudited and that the statement of accounts as published may be subject to change.



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

Chief Financial Officer

1 June 2017

Approval of Statement of Accounts

The statement of accounts was approved by the Walsall Council Audit Committee on XX Date XXXX

Chair of the Audit Committee

Date

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

Respective responsibilities of the Chief Financial Officer and auditor

Scope of the audit of the financial statements

Opinion on financial statements

Opinion on other matters

Matters on which we report by exception

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

Respective responsibilities of the Authority and the auditor

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

Certificate

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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 32).

2015/16							2016/17					
Economy and Environment £m	Adult Social Care £m	Children and Young People £m	Change and Governance £m	Central £m	Total £m		Economy and Environment £m	Adult Social Care £m	Children and Young People £m	Change and Governance £m	Central £m	Total £m
(1.825)	(35.127)	(165.945)	(122.607)	0.106	(325.398)	Government grants (Note 20)	(2.062)	(34.894)	(162.646)	(112.458)	0.000	(312.060)
(28.437)	0.000	(0.180)	(2.618)	0.000	(31.235)	Capital grant income (Note 20)	(42.681)	0.000	0.000	(2.961)	0.000	(45.642)
(20.219)	(7.683)	(18.930)	(14.573)	(3.874)	(65.279)	Fees, charges and other service income	(19.671)	(10.492)	(13.602)	(13.908)	(4.230)	(61.903)
(50.481)	(42.810)	(185.055)	(139.798)	(3.768)	(421.912)	Gross income	(64.414)	(45.386)	(176.248)	(129.327)	(4.230)	(419.605)
31.634	17.613	148.994	37.022	12.255	247.518	Employee expenses	30.992	16.327	148.947	33.700	14.173	244.139
68.604	88.038	83.198	116.113	(0.257)	355.696	Other service expenditure	84.523	96.773	71.778	109.035	(0.172)	361.937
10.278	3.881	8.249	10.739	0.000	33.147	Support service recharges	10.186	2.776	6.830	8.020	0.000	27.812
12.356	1.109	6.371	3.624	0.000	23.460	Depreciation, amortisation and impairments	12.780	0.833	8.547	3.119	0.000	25.279
0.019	0.009	0.168	(0.496)	0.000	(0.300)	Revaluation losses/(gains)	(6.208)	0.503	(4.316)	(2.556)	0.000	(12.577)
122.891	110.650	246.980	167.002	11.998	659.521	Gross expenditure	132.273	117.212	231.786	151.318	14.001	646.590
72.410	67.840	61.925	27.204	8.230	237.609	Cost of services	67.859	71.826	55.538	21.991	9.771	226.985

Continued...

Continued...

2015/16							2016/17					
Economy and Environment £m	Adult Social Care £m	Children and Young People £m	Change and Governance £m	Central £m	Total £m		Economy and Environment £m	Adult Social Care £m	Children and Young People £m	Change and Governance £m	Central £m	Total £m
72.410	67.840	61.925	27.204	8.230	237.609	Cost of services	67.859	71.826	55.538	21.991	9.771	226.985
0.000	0.000	0.000	0.000	0.000	38.210	Other operating expenditure (Note 5)	0.000	0.000	0.000	0.000	24.698	24.698
0.000	0.000	0.000	0.000	0.000	30.475	Financing & investment income and expenditure (Note 6)	(0.095)	0.000	(0.002)	0.000	24.923	24.826
0.000	0.000	0.000	0.000	0.000	(276.232)	Taxation & non-specific grant income (Note 7)	(20.172)	(1.086)	(4.320)	(0.221)	(250.287)	(276.086)
72.410	67.840	61.925	27.204	8.230	30.062	(Surplus) or deficit on provision of services	47.592	70.740	51.216	21.770	(190.895)	0.423
					(0.084)	(Surplus) or deficit arising on revaluation of non-current assets (Note 39)						(39.278)
					3.130	Impairment losses or (reversals) on non-current assets charged to the revaluation reserve (Note 39)						1.253
					(1.873)	(Surplus) or deficit arising on revaluation of available for sale financial assets (Note 39)						(4.538)
					(54.989)	Remeasurements of the defined benefit liability (Note 39)						130.999
					(23.754)	Total comprehensive income and expenditure						88.859

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 30). These are different from the statutory amounts required to be charged to the general fund balance for council tax setting purposes. The net increase/decrease before transfers to earmarked reserves line shows the statutory general fund balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

2016/17 actuals

	General fund balance £m	Earmarked 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 31/03/16 carried forward	(14.131)	(130.321)	(20.956)	(8.122)	(173.530)	291.421	117.891
Total comprehensive income and expenditure	0.423	0.000	0.000	0.000	0.423	88.436	88.859
Adjustments between accounting basis & funding basis under regulations (Note 10)	(0.196)	0.687	(1.425)	0.293	(0.641)	0.641	(0.000)
(Surplus) / deficit in year	0.227	0.687	(1.425)	0.293	(0.218)	89.077	88.859
Balance at 31/03/17 carried forward	(13.904)	(129.634)	(22.381)	(7.829)	(173.748)	380.498	206.750

2015/16 comparatives

	General fund balance £m	Earmarked 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 31/03/15 carried forward (restated)	(11.514)	(145.166)	(22.972)	(7.171)	(186.823)	328.469	141.646
Total comprehensive income and expenditure	30.062	0.000	0.000	0.000	30.062	(53.816)	(23.754)
Adjustments between accounting basis & funding basis under regulations (Note 10)	(32.679)	14.845	2.017	(0.951)	(16.768)	16.768	0.000
(Surplus) / deficit in year	(2.617)	14.845	2.017	(0.951)	13.294	(37.048)	(23.754)
Balance at 31/03/16 carried forward	(14.131)	(130.321)	(20.955)	(8.122)	(173.529)	291.421	117.892

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.

2015/16				2016/17		
Net expenditure to be funded from general fund £m	Adjustments between Funding basis and Accounting basis (Note 9) £m	Net expenditure as per CIES (accounting basis) £m		Net expenditure to be funded from general fund £m	Adjustments between Funding basis and Accounting basis (Note 9) £m	Net expenditure as per CIES (accounting basis) £m
61.542	(10.868)	72.410	Economy and Environment	62.970	(4.889)	67.859
67.225	(0.615)	67.840	Adult Social Care	70.601	(1.225)	71.826
62.490	0.565	61.925	Children and Young People	56.684	1.146	55.538
23.877	(3.327)	27.204	Change and Governance	22.564	0.573	21.991
13.393	5.163	8.230	Central	16.228	6.457	9.771
228.527	(9.082)	237.609		229.047	2.062	226.985
12.926	(25.284)	38.210	Other operating expenditure	12.264	(12.434)	24.698
21.602	(8.873)	30.475	Financing income and expenditure	8.007	(16.819)	24.826
34.528	(34.157)	68.685		20.271	(29.253)	49.524
			Funded by			
(94.208)	2.038	(96.246)	Council Tax	(104.395)	2.739	(107.134)
(64.453)	0.000	(64.453)	Non domestic rates	(63.733)	4.403	(68.136)
0.000	23.369	(23.369)	Capital grants and contributions	0.000	20.540	(20.540)
(92.164)	0.000	(92.164)	Non ring-fenced government grants	(80.276)	0.000	(80.276)
(14.847)	(14.847)	0.000	Release of earmarked reserves	(0.687)	(0.687)	0.000
(265.672)	10.560	(276.232)	Total funding	(249.091)	26.995	(276.086)
(2.617)	(32.679)	30.062	Total cost of providing council services	0.227	(0.196)	0.423
(11.514)			Opening general fund balance	(14.131)		
(14.131)			Closing general fund balance	(13.904)		

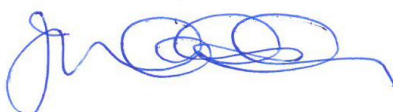
Balance sheet

The balance sheet shows the value of the assets and liabilities recognised by the council as at 31 March 2017. 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' (Note10, page 58).

2015/16 £m		Note	2016/17 £m
464.836	Property, plant and equipment	22	509.596
19.503	Heritage assets	24&25	19.543
8.640	Investment property	26	9.106
1.773	Intangible assets	27	1.607
31.127	Long term investments	32	30.233
8.649	Long term debtors	32	8.169
534.528	Long term assets		578.254
112.187	Short term investments	32	137.560
4.667	Assets held for sale	28	3.792
0.976	Inventories		0.811
36.826	Short term debtors	34	39.721
4.804	Cash and cash equivalents	35	8.240
159.460	Current assets		190.124
(9.355)	Short term borrowing	32	(29.418)
(70.604)	Short term creditors	36	(64.314)
(10.345)	Provisions	37	(8.243)
(90.304)	Current liabilities		(101.975)
(0.934)	Provisions	37	(0.844)
(233.379)	Long term borrowing	32	(246.727)
(487.263)	Other long term liabilities	32	(625.583)
(721.576)	Long term liabilities		(873.154)
(117.892)	Net assets		(206.751)
(173.529)	Usable reserves	38	(173.747)
291.421	Unusable reserves	39	380.498
117.892	Total reserves		206.751

The unaudited accounts were issued on 1 June 2017 and the audited accounts were authorised for issue on XX XXXXXXXX 2017.

Signed:



Date:


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

Chief Financial 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.

2015/16 £m		2016/17 £m
30.062	Net (surplus) or deficit on the provision of services	0.423
(58.381)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 40)	(17.232)
(121.086)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 41)	(69.619)
(149.405)	Net cash (inflows)/outflows from operating activities	(86.428)
150.079	Investing activities (Note 43)	117.782
12.751	Financing activities (Note 44)	(34.790)
13.425	Net (increase) or decrease in cash and cash equivalents	(3.436)
(18.229)	Cash and cash equivalents at the beginning of the reporting period	(4.804)
(4.804)	Cash and cash equivalents at the end of the reporting period (Note 35)	(8.240)

Notes to the accounts

1. Significant accounting policies

General principles

The statement of accounts summarises the council's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. 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:

- Fees, charges and rents are accounted for as income at the date the council provides the relevant goods or service
- Supplies are recorded as expenditure when they are consumed
- Works are charged as expenditure when they are completed
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected
- Income and expenditure are credited and debited to the surplus or deficit on provision of services, unless they properly represent capital receipts or capital expenditure

Cash and cash equivalents

The council identifies cash as being both cash in hand and demand deposits (i.e. bank current accounts). These also include any bank overdrafts that the council may have. Cash equivalents are identified as short term liquid deposits held by the council. These are any deposits made by the council with financial institutions that have an initial maturity period of less than three months and are not subject to penalties for early redemption. This will include at call and money market fund investments.

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.

Charges to revenue for non-current assets

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

- depreciation and amortisation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance, the minimum revenue provision.

Depreciation, revaluation, impairment losses and amortisations are replaced by the minimum revenue provision, by way of an adjusting transaction within the capital adjustment account for the difference between the two.

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 line in the CIES 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. In the movement in reserves statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits, and replace them with debits for the cash paid to the pension fund and individuals and any such amounts payable but unpaid at the year-end.

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 in the CIES 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 – debited to the surplus or deficit on the provision of services in the CIES as part of non distributed costs
 - 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 charged to the financing and investment income and expenditure line of the CIES. 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 – charged to the pensions reserve as other comprehensive income and expenditure
 - 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 – charged to the pensions reserve as other comprehensive income and expenditure

- 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. In the movement in reserves statement, this means that there are transfers to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Discretionary benefits

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

Events after the balance sheet date

These are events that have occurred between the end of the financial year, 31 March 2017, and the date the financial accounts are authorised for issue. Two types of event can be identified:

- Adjusting events occur where conditions existed at the financial year end
- Non-adjusting events occur where the conditions arose after the financial year end

Adjusting events are recognised by the adjustment of the financial statements and are detailed within a note to the accounts. Non-adjusting events are not recognised by an adjustment within the financial statements but are disclosed within a note to the accounts.

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:

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

Loans and receivables

Loans and receivables are 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.

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

Any gain or loss that arises on de-recognition of an asset is credited or debited to the CIES.

Available-for-sale assets

Available-for-sale assets 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. Where the asset has fixed or determinable payments, annual credits to the CIES for interest receivable are based on the amortised cost of the asset multiplied by the effective interest rate for the instrument. Where there are no fixed or determinable payments, income (i.e. dividends) is credited to the CIES when it becomes receivable by the council.

Assets are maintained in the balance sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price

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

Changes in fair value are balanced by an entry in the available-for-sale reserve and the gain/loss recognised in the CIES. The exception is where impairment losses have been incurred – these are debited to the CIES along with any net gain/loss for the asset accumulated in the reserve.

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

Any gains or losses that arise on the de-recognition of the asset are credited/debited to the CIES.

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

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. Annual charges to the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount present in the balance sheet is the outstanding principal repayable and interest charged to the surplus or deficit on provision of services is the amount payable for the year in the loan agreement.

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

Where premiums and discounts have been charged to the surplus or deficit on provision of services, 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. The reconciliation of amounts charged to the CIES to the net charge required against the general fund balance is managed by a transfer to or from the financial instruments adjustment account in the movement in reserves statement.

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. 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 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, the majority of which are not material and thus the production of group accounts are not required for these interests.

Walsall Adult and Community College (WACC) is not material to the council. However, the council considers that it would be useful for the reader of the accounts to highlight details of key balances within the council's related parties disclosure.

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. The measurement of cost for this purpose consists of, where appropriate:

- Purchase price
- Transaction costs
- Directly attributable expenditure

After recognition investment properties are measured at fair value. Any gain or loss from a change in fair value is recognised in the surplus or deficit on provision of services in which it arises. The same treatment is applied to gain and losses on disposal.

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

When investment properties are disposed of or decommissioned the net gain or loss is taken to the surplus or deficit on provision of services.

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 (for any sale proceeds greater than £10,000) 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.

Where a lease covers both land and buildings the land and buildings elements are considered separately for classification.

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).

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.

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 posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on provision of services. 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.

Overheads

The costs of overheads and support services are charged to those that benefit from the supply or service. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Costs relating to the council's status as a multi-functional, democratic organisation – corporate and democratic core
- Cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties – non-distributed costs

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 original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the balance sheet are revalued and depreciated in the same way as property, plant and equipment owned by the council.

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 – an interest charge of x% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES
- contingent rent – increases in the amount to be paid for the asset arising during the contract, 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)
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out

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 or fair value 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. The measurement of cost for this purpose consists of, where appropriate:

- Purchase price
- Directly attributable costs to bringing the asset into working condition for its intended use
- Initial estimate of the cost of dismantling and removing the asset and restoring the site on which it is located

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 historic cost	10-80 years	Straight line
Plant, vehicles and equipment	Current value*	3-10 years	Straight line
Infrastructure	Depreciated historic cost	15-30 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. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains.

Where the carrying value is decreased by revaluation, the decrease in value is recognised in the revaluation reserve up to the credit balance existing for that asset, with any remaining loss being charged to the surplus or deficit on provision on services.

Disposals

When property, plant and equipment assets are disposed of or decommissioned the net gain or loss is taken to the surplus or deficit on provision of services.

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. Receipts are appropriated to the reserve from the general fund balance in the movement in reserves statement.

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.

Any loss created by impairment of an asset is recognised firstly in the revaluation reserve up to the amount held in the reserve for that asset. Any remaining amount is recognised in the CIES.

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.

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 available at <http://thenewartgallerywalsall.org.uk/collections-library/>. Acquisitions are initially recognised at cost and donations are recognised at insurance valuation.

Epstein Archive

The Epstein Archive is reported on the balance sheet at insurance valuation, based on market values.

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 value 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.

Statues

The council has five statues around the Borough. There is no readily available valuation held by the council for assets and no definitive market value for these types of assets 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. The other statue has been recognised at cost.

War memorials

The council has a number of war memorials around the borough, however does not hold a readily available valuation. The council believes that it is not appropriate to obtain a valuation due to the very specialised nature of the asset and the lack of comparable market values. The council believes that the benefits of obtaining a valuation for these items to the user of the accounts would not justify the cost. As such the council has not recognised these assets on the balance sheet.

Memorial clocks

The council has a number of memorial clocks around the borough, however does not hold a readily available valuation. The council believes that it is not appropriate to obtain a valuation due to the specialised nature of the assets and the lack of comparable market values. The council believes that the benefits of obtaining the valuation for these items to the user of the accounts would not justify the cost. As such the council has not recognised these assets on the balance sheet.

Public art

The council has a number of public art works around the borough, however does not hold a readily available valuation. The council believes that it is not appropriate to obtain a valuation due to the specialised nature of the assets and the lack of comparable market values. The council believes that the benefits of obtaining the valuation for these items to the user of the accounts would not justify the cost. 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.

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see accounting policy for 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. This is charged to the surplus or deficit on provision of services for the relevant service.

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 to the surplus or deficit on provision of services for the relevant service.

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.

Provision for equal pay claims

The council has made a provision for settling the costs of equal pay arising from claims prior to implementation of its equal pay strategy. Statutory arrangements allow settlements to be financed from the general fund in the year that payments actually take place, not when the provision is established.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

Contingent assets

A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council.

Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

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 surplus or deficit on provision of services in that year. The reserve is then appropriated back the general fund balance via the movement in reserves statement 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. 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; and amounts (including provisions for equal pay claim reviews) that the Secretary of State has given direction should be capitalised.

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 accounting treatment of land and buildings for each type of school is based on the legal framework and others tests in line with 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 shown below with the determined accounting treatment for land and buildings.

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

Capital expenditure on voluntary aided schools is treated as revenue expenditure funded from capital under statute and written off each year to the CIES within the Children's directorate.

The income and expenditure of all classifications of schools are included within the net cost of services in the CIES. Associated entries for current assets and current liabilities are included in the balance sheet.

Individual schools' balances at 31 March 2017 are included in the balance sheet of the council as any unspent delegated schools budgets remain the property of the council.

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.

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, the school or school governing body own the assets or rights to use the assets have been transferred from another entity.

- Where the land and building assets used by the school are owned by an entity other than the council, school or school governing body 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.
- 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 2017 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 37	The council has made a provision of £4.476m for the settlement of claims for back pay arising from Equal Pay, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the council or at what level these may or may not be settled.	An increase/decrease over the forthcoming year of 10% of the estimated average settlement would have the effect of increasing or decreasing by £0.448 million the provision needed.

Pensions Liability – note 17	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 67. However, the assumptions interact in complex ways. During 2016/17, the council's actuaries carried out a full actuarial valuation. The assumptions used in 2016/17 reflect the assumptions used in the full valuation.
Arrears – note 34	At 31 March 2017, the council had a sundry debtor balance of £8.133m. A review of significant balances suggested that a net impairment of doubtful debts of 11.60% (£0.944m) 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 collection rates for the impairment of doubtful debts would increase or decrease by £0.399 million the amount to set aside as an allowance respectively.

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 30. Grant receipts for 2016/17 are shown in note 20.

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 20.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in note 12. During 2016/17, no significant works and services were commissioned from companies in which members had declared an interest. In addition, the council paid grants totalling £3.560 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 11.

Entities controlled or significantly influenced by the council

Walsall Adult and Community College (WACC) from 1 August 2015 become a company limited by guarantee with charitable status wholly owned by the council, with the aim of fully spinning out from the council when the financial conditions are favourable.

Whilst WACC is 100% wholly owned by the council and meets the criteria for group accounts the council has not prepared group accounts as it is not considered material to the financial statements.

A report was presented to the council's Cabinet on 18 May 2017 setting out a proposed transfer of WACC to another Skills Funding Agency (SFA) grant funded body. A final report seeking Cabinet's formal approval of the transfer to another body is to be presented by 31 October 2017, with the transfer of WACC completed by 31 March 2018.

For the period 1 April 2016 to 31 March 2017 WACC received income of £4.300m and incurred expenses of £3.556m resulting in a profit of £0.744m. As at 31 March 2017 WACC had net assets of £0.724m.

The council does not control (or is not controlled by) or significantly influence (or is not significantly influenced by) any other entities.

5. Other operating expenditure

The following table provides further information for other operating expenditure shown in the CIES on page 30.

2015/16 £m		2016/17 £m
12.924	Levies	12.264
0.007	Payments to the capital housing receipts pool	0.005
25.279	(Gains) and losses on the disposal of fixed assets	12.429
38.210	Total	24.698

Losses on disposal of fixed assets during 2016/17 were primarily due to a number of schools transferring to academy status whereby the value of the school is written out of the councils accounts.

6. Financing and investment income and expenditure

The following table provides further information for financing and investment income and expenditure shown in the CIES on page 30.

2015/16 £m		2016/17 £m
21.009	Interest payable and similar charges	11.778
16.574	Net interest on the net defined benefit liability (Note 17)	16.819
(2.210)	Interest income	(2.040)
(0.107)	Income, expenditure and changes in fair value of investment properties	(0.239)
(4.791)	Other investment income (Note 32)	(1.492)
30.475	Total	24.826

The council received a special dividend from the investment in Birmingham Airport during 2015/16. This amount is included within other investment income.

During 2015/16 the council incurred a premium as a result of rescheduling debt. This is included within interest payable and similar charges.

7. Taxation and non specific grant income

The following table provides further information for taxation on non specific grant incomes shown in the CIES on page 30.

2015/16 £m		2016/17 £m
(96.246)	Council tax income	(107.134)
(64.453)	NDR distribution	(68.136)
(23.369)	All capital grants and contributions (Note 20)	(20.540)
(92.164)	Non-ringfenced government grants (Note 20)	(80.276)
(276.232)	Total	(276.086)

The decrease in income from non-ringfenced government grants is mainly due to a decrease in the Revenue Support Grant (RSG) incorporating financing for the council tax reduction scheme.

Further information on council tax and NDR can be found on page 111.

8. Material items of income and expense

During 2016/17 three schools converted to academy status. £11.995m of school assets have therefore been derecognised from the council's balance sheet, in line with accounting standards and this is shown within gain/losses on disposals.

9. 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.

2015/16					2016/17			
Adjustments for capital purposes £m	Net change for the Pensions the adjustments £m	Other Differences £m	Total Adjustments £m		Adjustments for capital purposes £m	Net change for the Pensions the adjustments £m	Other Differences £m	Total Adjustments £m
(11.891)	0.984	0.039	(10.868)	Economy and Environment	(6.667)	1.778	0.000	(4.889)
(1.157)	0.543	(0.001)	(0.615)	Adult Social Care	(2.147)	0.922	0.000	(1.225)
(2.932)	2.061	1.436	0.565	Children and Young People	(1.829)	3.925	(0.950)	1.146
(4.343)	1.001	0.015	(3.327)	Change and Governance	(1.101)	1.674	0.000	0.573
1.230	3.933	0.000	5.163	Central	3.826	2.631	0.000	6.457
(19.093)	8.522	1.489	(9.082)		(7.918)	10.930	(0.950)	2.062
(25.277)	0.000	(0.007)	(25.284)	Other operating expenditure	(12.429)	0.000	(0.005)	(12.434)
7.701	(16.574)	0.000	(8.873)	Financing income and expenditure	0.000	(16.819)	0.000	(16.819)
				Funded by				
0.000	0.000	2.038	2.038	Council Tax	0.000	0.000	2.739	2.739
0.000	0.000	0.000	0.000	Non domestic rates	0.000	0.000	4.403	4.403
23.369	0.000	0.000	23.369	Capital grants and contributions	20.540	0.000	0.000	20.540
0.000	0.000	0.000	0.000	Non ring-fenced government grants	0.000	0.000	0.000	0.000
0.000	0.000	(14.847)	(14.847)	Release of earmarked reserves	0.000	0.000	(0.687)	(0.687)
23.369	0.000	(12.809)	10.560	Total funding	20.540	0.000	6.455	26.995
(13.300)	(8.052)	(11.327)	(32.679)	Total cost of providing council services	0.193	(5.889)	5.500	(0.196)

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 Differences

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.

10. 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.

2016/17 Actuals

	Movement in general fund balance £m	Movement in earmarked reserves £m	Movement in capital grants unapplied account £m	Movement in capital receipts reserve £m	Movement in unusable reserves £m
Adjustments to revenue resources					
Pensions costs (transferred to/(from) the Pensions Reserve)	(5.889)	0.000	0.000	0.000	5.889
Financial instruments (transferred to the Financial Instruments Adjustments Account)	0.000	0.000	0.000	0.000	0.000
Council tax and NDR (transfers to/(from) Collection Fund)	7.142	0.000	0.000	0.000	(7.142)
Holiday Pay (transferred to the Accumulated Absences Reserve)	(0.951)	0.000	0.000	0.000	0.951
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account and Revaluation Reserve)	(29.006)	0.000	0.000	0.000	29.006
	(28.704)	0.000	0.000	0.000	28.704
Adjustments between revenue and capital resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1.722	0.000	0.000	(1.722)	0.000
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(0.005)	0.000	0.000	0.005	0.000
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	3.820	0.000	0.000	0.000	(3.820)
Capital expenditure financed from revenue balances	3.118	0.000	0.000	0.000	(3.118)
	8.655	0.000	0.000	(1.717)	(6.938)
Adjustments to capital resources					
Use of the Capital Receipts Reserve to finance capital expenditure	0.000	0.000	0.000	2.016	(2.016)
Application of capital grants to finance capital expenditure	20.540	0.000	(1.425)	0.000	(19.115)
Cash payments in relation to deferred capital receipts	0.000	0.000	0.000	(0.006)	0.006
Total adjustments to capital resources	20.540	0.000	(1.425)	2.010	(21.125)
Transfers to/from earmarked reserves (Note 38)	(0.687)	0.687	0.000	0.000	0.000
Total adjustments	(0.196)	0.687	(1.425)	0.293	0.641

2015/16 Comparatives

	Movement in general fund balance £m	Movement in earmarked reserves £m	Movement in capital grants unapplied account £m	Movement in capital receipts reserve £m	Movement in unusable reserves £m
Adjustments to revenue resources					
Pensions costs (transferred to/(from) the Pensions Reserve)	(8.052)	0.000	0.000	0.000	8.052
Financial instruments (transferred to the Financial Instruments Adjustments Account)	0.000	0.000	0.000	0.000	0.000
Council tax and NDR (transfers to/(from) Collection Fund)	2.042	0.000	0.000	0.000	(2.042)
Holiday Pay (transferred to the Accumulated Absences Reserve)	1.489	0.000	0.000	0.000	(1.489)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account and Revaluation Reserve)	(52.168)	0.000	0.000	0.000	52.168
Total adjustments to revenue resources	(56.689)	0.000	0.000	0.000	56.689
Adjustments between revenue and capital resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1.739	0.000	0.000	(1.739)	0.000
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(0.007)	0.000	0.000	0.007	0.000
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	7.701	0.000	0.000	0.000	(7.701)
Capital expenditure financed from revenue balances	6.053	0.000	0.000	0.000	(6.053)
Total adjustments between revenue and capital resources	15.486	0.000	0.000	(1.732)	(13.754)
Adjustments to capital resources					
Use of the Capital Receipts Reserve to finance capital expenditure	0.000	0.000	0.000	0.790	(0.790)
Application of capital grants to finance capital expenditure	23.369	0.000	2.017	0.000	(25.386)
Cash payments in relation to deferred capital receipts	0.000	0.000	0.000	(0.009)	0.009
Total adjustments to capital resources	23.369	0.000	2.017	0.781	(26.167)
Transfers to/from earmarked reserves (Note 38)	(14.845)	14.845	0.000	0.000	0.000
Total adjustments	(17.834)	0.000	2.017	(0.951)	16.768

11. Pooled budgets / 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, 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.

2015/16				Better Care Fund 2016/17	2016/17			
Capital £m	Revenue ICES £m	Revenue Other £m	Total £m		Capital £m	Revenue ICES £m	Revenue Other £m	Total £m
0.000	0.000	0.000	0.000	Funding brought forward from previous year	0.000	(0.017)	0.000	(0.017)
				Funding provided to the pooled budget				
(2.429)	0.000	0.000	(2.429)	By Walsall Council	(2.895)	0.000	0.000	(2.895)
0.000	(1.435)	(20.112)	(21.547)	By Walsall NHS CCG	0.000	(0.686)	(20.020)	(20.706)
(2.429)	(1.435)	(20.112)	(23.976)		(2.895)	(0.686)	(20.020)	(23.601)
				Expenditure met from the pooled budget				
2.429	1.394	10.557	14.380	By Walsall Council	2.895	0.606	11.307	14.808
0.000	0.000	9.651	9.651	By Walsall NHS CCG	0.000	0.000	8.379	8.379
2.429	1.394	20.208	24.031		2.895	0.606	19.686	23.188
0.000	(0.041)	0.096	0.055	Net (surplus) / deficit on the pooled budget during the year	0.000	(0.096)	(0.334)	(0.430)
0.000	0.017	0.000	0.017	Carry forwards into next year	0.000	0.000	0.000	0.000
0.000	(0.024)	0.096	0.072	Net (surplus) / deficit on the pooled budget during the year (after carry forwards)	0.000	(0.096)	(0.334)	(0.430)
				Agreed risk share on the pooled budget during the year				
			0.072	By Walsall Council				(0.060)
			0.000	By Walsall NHS CCG				(0.370)
			0.072					(0.430)

The council, in association with Walsall NHS CCG, established an integrated health and social care service for adults with learning disabilities which operates separate to the Better Care Fund. Any surpluses or deficits on health related elements of this pool at the end of 2016/17 have been

fully allocated to Walsall CCG, with surpluses or deficits on social care related elements being allocated to the council. The performance of this pooled budget is shown in the following table.

2015/16 Total £m	Pooled fund memorandum account – integrated health & social care for adults with learning disabilities	2016/17 Total £m
	Expenditure	
1.092	Integrated team	1.006
16.285	Community support	18.785
2.377	Day care	1.175
7.809	Residential & Nursing	9.587
0.691	Supported employment	0.034
1.086	Management & administration	1.549
3.001	NHS Provider Contract	3.405
32.341		35.542
	Gross funding	
(8.918)	NHS Walsall	(8.919)
(22.683)	Walsall Council	(24.223)
(31.601)		(33.142)
0.740	Net over/(under) spend	2.400
	Allocation of over/(under) spend	
0.206	NHS Walsall	0.000
0.534	Walsall Council	2.400
0.740		2.400

12. Members allowances

The council paid £0.736 million of basic allowances (2015/16 £0.739 million) and £0.184 million of special responsibility payments (2015/16 £0.177 million) to members during the year.

13. Officers' remuneration

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

		Salary, fees and allowances £	Contractor Costs £	Expenses allowances £	Compensation for loss of office £	Pension contribution £	Total £
Chief Executive (Paul Sheehan)	2016/17	196,214	0	2,348	0	0	198,562
	2015/16	194,271	0	2,356	0	0	196,627
Executive Director 1 - Change and Governance	2016/17	0	0	0	0	0	0
	2015/16	99,003	0	2,402	58,603	13,192	173,200
Executive Director 2 - Change and Governance	2016/17	0	72,618	0	0	0	72,618
	2015/16	0	0	0	0	0	0
Executive Director - Children's Services	2016/17	118,358	0	2,845	0	15,988	137,191
	2015/16	117,186	0	4,611	0	16,277	138,074
Executive Director 1 - Social Care	2016/17	0	3,000	0	0	0	3,000
	2015/16	0	157,434	0	0	0	157,434
Executive Director 2 - Social Care	2016/17	112,769	0	2,640	0	15,233	130,642
	2015/16	0	0	0	0	0	0
Executive Director - Neighbourhood Services	2016/17	0	0	0	0	0	0
	2015/16	69,727		5,246	65,547	1,319	141,839
Executive Director - Regeneration Services / Economy & Environment	2016/17	118,358	0	2,779	0	15,988	137,125
	2015/16	117,186	0	2,954	0	15,830	135,970
Assistant Director - Finance - Section 151 officer	2016/17	94,972	0	18	0	12,536	107,526
	2015/16	94,075	0	35	0	12,418	106,528
Head of Legal and Democratic Services - Monitoring Officer	2016/17	94,972	0	0	0	12,536	107,508
	2015/16	94,075	0	41	0	14,693	108,809
Director of Public Health	2016/17	105,793	0	1,239	0	14,875	121,907
	2015/16	102,621	0	1,239	0	14,658	118,518

Please note there is only one post of Executive Director Change and Governance, however due to changes this post was occupied by 1 individual during the 2016/17 financial year and 1 individual during the 2015/16 financial year:

Executive Director 1 Change and Governance covered the period 01.04.2015 to 31.01.2016

Executive Director 2 Change and Governance covered the period 21.11.2016 to 31.03.2017 - held by an interim manager contracted for through an interim management agency. The costs shown are the full fees paid to the interim management agency, not a payment to the individual.

Please note there is only one post of Executive Director Social Care, however this post was occupied by 1 individual during the 2016/17 financial year and 1 individual during the 2015/16 financial year:

Executive Director 1 Social Care covered the period 01.04.2015 to 06.05.2016 - held by an interim manager contracted for through an interim management agency. The costs shown are the full fees paid to the interim management agency, not a payment to the individual.

Executive Director 2 Social Care covered the period 18.04.2016 to 31.03.2017

The post holder for Executive Director - Neighbourhood Services left the authority on 30.04.2015. The post was then deleted and its responsibilities were distributed amongst the remaining Executive Directors.

Following the decision to delete the post of Executive Director Neighbourhood Services, the role of Executive Director Regeneration was expanded and renamed Executive Director Economy and Environment. The existing post holder took over the new role from 14.04.2015.

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	2016/17 post numbers			
	Council officers	Teachers - community / VC schools	Teachers - foundation / VA schools	Total
£50,000 - £54,999	28	22	8	58
£55,000 - £59,999	21	30	15	66
£60,000 - £64,999	12	20	10	42
£65,000 - £69,999	6	15	4	25
£70,000 - £74,999	13	9	2	24
£75,000 - £79,999	0	3	2	5
£80,000 - £84,999	3	1	0	4
£85,000 - £89,999	1	1	2	4
£90,000 - £94,999	4	1	0	5
£95,000 - £99,999	0	0	0	0
£105,000 - £109,999	0	1	1	2
£130,000 - £134,999	1	0	0	1
Total	89	103	44	236

Remuneration band	2015/16 comparative post numbers			
	Council officers	Teachers - community / VC schools	Teachers - foundation / VA schools	Total
£50,000 - £54,999	39	34	12	85
£55,000 - £59,999	19	19	9	47
£60,000 - £64,999	13	23	14	50
£65,000 - £69,999	3	13	2	18
£70,000 - £74,999	17	8	2	27
£75,000 - £79,999	1	1	1	3
£80,000 - £84,999	2	3	1	6
£85,000 - £89,999	5	1	0	6
£90,000 - £94,999	0	0	0	0
£95,000 - £99,999	1	1	1	3
£105,000 - £109,999	0	0	1	1
£130,000 - £134,999	1	0	0	1
Total	101	103	43	247

14. Exit packages

The numbers of exit packages with total cost per band, and total cost of the 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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16 £m	2016/17 £m
0 - 20,000	57	76	192	163	249	239	1.693	1.347
20,001 - 40,000	5	8	39	30	44	38	1.230	1.076
40,001 - 60,000	1	4	15	7	16	11	0.797	0.556
60,001 - 80,000	1	3	7	9	8	12	0.537	0.822
80,001 - 100,000	0	0	5	4	5	4	0.445	0.349
100,001 - 150,000	2	1	2	6	4	7	0.484	0.842
150,000 - 200,000	0	0	2	3	2	3	0.321	0.486
250,000 - 300,000	0	0	1	0	1	0	0.261	0.000
Total	66	92	263	222	329	314	5.768	5.478

15. Termination benefits

The council terminated the contracts of a number of employees in 2016/17, incurring liabilities of £5.284 million (£5.515 million in 2015/16), 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.

16. 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 2016/17, the council paid £8.230 million to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2015/16 were £8.142 million and 14.1% for the period April – August 2015 and 16.48% for the period September 2015 to March 2016. 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 17.

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 2016/17, the council paid £0.100 million to NHS Pensions in respect of Public Health staff retirement benefits, representing 14.3% of pensionable pay. The figures for 2015/16 were £0.103 million and 14.3%.

17. 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.

2015/16			2016/17	
Local Government Pension Scheme £m	Unfunded teachers £m		Local Government Pension Scheme £m	Unfunded teachers £m
		Comprehensive income and expenditure statement		
		<i>Cost of service:</i>		
25.674	0.000	Current service cost	22.721	0.000
1.732	0.000	Past service costs	2.717	0.000
(2.140)	0.000	(Gain)/Loss from settlements	(1.875)	0.000
		<i>Financing and investment income and expenditure:</i>		
16.058	0.516	Net interest expense (inc. Admin expenses)	16.400	0.419
41.324	0.516	Total post employment benefit charged to the surplus or deficit on the provision of services	39.963	0.419
		<i>Other post employment benefit charged to the comprehensive income and expenditure statement</i>		
21.696	0.000	Return on plan assets (excluding the amount included in the net interest expense)	(109.289)	0.000
0.000	0.000	Remeasurement (gains)/losses arising on changes in demographic assumptions	(33.638)	(1.154)
(77.574)	0.890	Remeasurement (gains)/losses arising on changes in financial assumptions	345.070	1.268
0.000	0.000	Experience (gain)/loss on defined benefit obligation	33.778	0.000
0.000	0.000	Other actuarial (gains)/losses on assets	(105.036)	0.000
(14.554)	1.406	Total post employment benefit charged to the comprehensive income and expenditure statement	170.848	0.533
		Movement in reserves statement		
(8.856)	0.804	Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	(6.754)	0.865
		Actual amount charged against the general fund balance for pensions in the year:		
32.468		Employers' contributions payable to scheme	33.209	
	1.320	Retirement benefits payable to pensioners		1.284

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

2015/16 £m		2016/17 £m
(1,093.004)	Present value of defined benefit obligation	(1,460.977)
612.428	Fair value of plan assets	843.513
(480.576)	Net pension liability arising from defined benefit obligation	(617.464)

Reconciliation of fair value of the scheme assets

Local Government Pension Scheme 2015/16 £m		Local Government Pension Scheme 2016/17 £m
616.372	Opening balance at 1 April	612.428
19.691	Interest on assets	21.948
(21.696)	Return on assets less interest	109.289
0.000	Other actuarial gains/(losses)	105.036
(0.264)	Administration expenses	(0.315)
(0.600)	Settlement prices received / (paid)	(0.643)
32.468	Employer contributions	33.209
6.581	Member contributions	6.330
(40.124)	Estimated benefits paid net of transfers in	(43.769)
612.428	Closing balance at 31 March	843.513

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

2015/16			2016/17	
Local Government Pension Scheme £m	Unfunded teachers £m		Local Government Pension Scheme £m	Unfunded teachers £m
(1,126.586)	(17.299)	Opening balance at 1 April	(1,075.619)	(17.385)
(25.674)	0.000	Current service cost	(22.721)	0.000
(35.485)	(0.516)	Interest cost	(38.033)	(0.419)
(6.580)	0.000	Member contributions	(6.330)	0.000
		Remeasurements (liabilities)		
77.574	(0.890)	Gain/(Loss) on financial assumptions	(345.070)	(1.268)
0.000	0.000	Gain/(Loss) on demographic assumptions	33.638	1.154
0.000	0.000	Experience gain/(Loss)	(33.778)	0.000
40.124	1.320	Estimated benefits paid net of transfers in	43.769	1.284
(1.732)	0.000	Past service costs including Curtailments	(2.717)	0.000
0.000	0.000	Settlements	0.000	0.000
2.740	0.000	(Liabilities assumed) / extinguished on settlements	2.518	0.000
(1,075.619)	(17.385)	Closing balance at 31 March	(1,444.343)	(16.634)

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	
	2015/16	2016/17	2015/16	2016/17
Mortality assumptions:				
<u>Longevity retiring today</u>				
- Men	23.0	21.8	23.0	21.8
- Women	25.7	24.2	25.7	24.2
<u>Longevity retiring in 20 years</u>				
- Men	25.30	23.90	n/a	n/a
- Women	28.00	26.50	n/a	n/a
Rate of inflation (CPI)	2.00%	2.70%	2.00%	2.20%
Rate of increase in salaries	3.75%	4.20%	n/a	n/a
Rate of increase in pensions	2.00%	2.70%	2.00%	2.20%
Rate for discounting scheme liabilities	3.60%	2.70%	2.50%	1.80%

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 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	1,418.838	1,444.343	1,470.332
Projected service cost	35.942	36.796	37.671
Adjustment to Long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	1,447.830	1,444.343	1,440.885
Projected service cost	36.796	36.796	36.770
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	1,466.820	1,444.343	1,422.272
Projected service cost	37.670	36.796	35.941
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year
Present value of total obligation	1,499.139	1,444.343	1,391.613
Projected service cost	37.970	36.796	35.659

Sensitivity analysis - Unfunded Teachers	£m	£m	£m
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	16.488	16.634	16.782
Projected service cost	n/a	n/a	n/a
Adjustment to Long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	n/a	n/a	n/a
Projected service cost	n/a	n/a	n/a
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	16.781	16.634	16.488
Projected service cost	n/a	n/a	n/a
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year
Present value of total obligation	17.399	16.634	15.902
Projected service cost	n/a	n/a	n/a

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:

	2015/16		2016/17	
	£m	%	£m	%
Equities	370.656	60.5%	543.306	64.4%
Government bonds	47.721	7.8%	68.464	8.1%
Other bonds	28.519	4.7%	34.952	4.1%
Property	50.504	8.2%	64.980	7.7%
Cash/liquidity	27.973	4.6%	24.075	2.9%
Other	87.055	14.2%	107.736	12.8%
Total	612.428	100.0%	843.513	100.0%

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 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2019.

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 2017/18 to pay £28.000m in contributions to the scheme for 2017/18 along with advance contributions totalling £61.700m for 2018/9 and 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 18 years, 2016/17 (18 years 2015/16).

18. External audit costs

The council incurred costs of £0.143 million (£0.143 million 2015/16) for fees related to external audit services and £0.014 million (£0.014 million 2015/16) for fees incurred for the certification of grant claims and returns. These services were carried out by Ernst & Young LLP the council's appointed auditor in 2016/17.

19. 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 2016/17 which has been deployed in accordance with the School Standards and Framework Act 1998 are shown in the following table.

2015/16			Dedicated Schools Grant (DSG)	2016/17		
Central Expenditure £m	ISB £m	Total £m		Central Expenditure £m	ISB £m	Total £m
(9.367)	(224.818)	(234.185)	Final DSG for year before Academy recoupment	(9.570)	(229.985)	(239.555)
0.000	89.326	89.326	Academy figure recouped	0.000	97.023	97.023
(9.367)	(135.492)	(144.859)	Total DSG after Academy recoupment	(9.570)	(132.962)	(142.532)
0.000	(8.493)	(8.493)	Plus brought forward from previous year	(3.789)	(5.734)	(9.523)
(9.367)	(143.985)	(153.352)	Agreed initial budgeted distribution in year	(13.359)	(138.696)	(152.055)
0.000	0.000	0.000	In Year adjustments			0.000
(9.367)	(143.985)	(153.352)	Agreed final budgeted distribution in year	(13.359)	(138.696)	(152.055)
5.578	0.000	5.578	Less actual central expenditure	5.028	0.000	5.028
0.000	138.251	138.251	Less actual ISB deployed to schools	0.000	135.042	135.042
(3.789)	(5.734)	(9.523)	Carry forward to next year	(8.331)	(3.654)	(11.985)

20. Grant income

The council credited the following grants, contributions and donations to the CIES in 2016/17:

2015/16 £m	Revenue grants	2016/17 £m
	Credited to taxation and non specific grant income	
(58.978)	Revenue support grant	(45.759)
(0.705)	Troubled Families Grant	(1.438)
(1.595)	Street Lighting PFI grant	(1.595)
(3.250)	Education Services Grant	(2.882)
(5.238)	New Homes Bonus	(5.986)
(2.962)	Small Business Rates Relief	(2.577)
(1.785)	New Burdens Funding	(0.221)
(0.446)	Adult Personal Social Services	(0.196)
0.000	Independent Living Fund	(0.890)
(16.943)	Public Health Grant	(18.577)
(33.145)	NDR Top Up	(33.421)
(0.263)	Other	(0.155)
(125.310)	Total	(113.697)
	Credited to services	
(1.372)	Arts Council Funding	(1.394)
(1.291)	Skills funding agency - Walsall Adult and Community College (WACC)	0.000
(1.671)	Housing benefits administration subsidy grant	(1.379)
(118.411)	Housing benefits rent allowances grant	(107.881)
(0.722)	Housing benefit non Housing Revenue Account (HRA) rebates	(0.588)
(0.688)	Discretionary Housing Payments	(0.818)
(0.490)	Local Council Tax Scheme Admin Grant	(0.553)
(144.859)	Dedicated Schools Grant	(142.532)
(0.703)	Independent Living Fund	0.000
(4.482)	Education Funding Agency sixth form funding grant	(4.463)
(2.530)	Universal Infant Free Schools Meals	(2.648)
(0.434)	Youth Justice Service	(0.382)
(11.607)	Pupil Premium	(11.094)
(0.773)	St Thomas More PFI Grant	(0.773)
(21.548)	Better Care Fund	(20.706)
(13.525)	Section75 CCG Agreement	(14.504)
(0.500)	LEP Funding	(0.500)
(0.332)	Electoral services grants	(0.735)
(0.302)	PCC crime and community grants	(0.402)
(0.694)	Education Funding Agency PE & sports grants	(0.690)
(0.562)	Other	(1.443)
(327.496)	Total	(313.485)
(452.806)	Total Revenue Grants	(427.182)

The table above includes non government sourced grants within the total of £313.485 million whereas the CIES only separately discloses government grant income of £312.060 million. Non

government grants are included within the fees, charges and other service income line on the CIES.

Non ringfenced government grants of £80.276 million (note 7) do not include NDR Top Up included within the £113.697 million total above. NDR Top Up is included in NDR Distribution (note 7).

Due to changes in the funding of local authorities Revenue Support Grant has reduced by approximately £13 million.

Grant funding from the Skills Funding Agency for Walsall Adult and Community College (WACC) of £1.291 million in 2015/16 was the final grant allocation prior to WACC no longer being a service of the council post 1 August 2015. As such only income for the period April to July 2015 was receipted by the council.

In accordance with its grant conditions Walsall Council has fully utilised the Arts Council grants received by it in 2016/17.

2015/16 £m	Capital grants	2016/17 £m
	Credited to taxation and non specific grant income	
(1.901)	Devolved Formula Capital	0.000
(5.984)	Department for Education	(8.705)
(4.742)	Darlaston SDA	(0.116)
(0.522)	Housing specific	(0.003)
(1.548)	Local transport plan	(1.342)
(3.840)	Department for Transport grants	(3.922)
(0.047)	Department for Health	0.000
0.012	s106 contributions	(0.022)
(0.651)	Active Living	(1.340)
(0.650)	Department for Energy and Climate Change grant	0.000
(2.036)	Growth Deal	(4.725)
(1.460)	Other	(0.365)
(23.369)	Total	(20.540)
	Credited to services	
(0.022)	Devolved Formula Capital	0.000
(0.354)	Lottery	(0.053)
(0.157)	Department for Education	0.000
(27.914)	Growth Deal	(42.405)
(1.632)	Disabled Facility Grants	(2.895)
(0.986)	Private Sector Renovation Grants	(0.065)
(0.170)	Other	(0.224)
(31.235)	Total	(45.642)
(54.604)	Total capital grants	(66.182)

21. Events after the balance sheet date

The statement of accounts were authorised for issue by the Chief Financial Officer on XX September 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The following disclosures are in accordance with IAS 10 – Events After the Reporting Period and are disclosed as non-adjusting events.

Academy School Transfers

Castle Business and Enterprise College is anticipated to become an academy school during 2017/18 but no date has yet been agreed. This school has a carrying value of £2.703 million as at 31 March 2017 which will be de-recognised from the council's balance sheet during 2017/18.

Hillary Primary School is anticipated to become an academy school during 2017/18 but no date has yet been agreed. This school has a carrying value of £3.232 million as at 31 March 2017 which will be de-recognised from the council's balance sheet during 2017/18.

Chuckery Primary School is anticipated to become an academy school during 2017/18 but no date has yet been agreed. This school has a carrying value of £3.594 million as at 31 March 2017 which will be de-recognised from the council's balance sheet during 2017/18.

In addition to the value of the assets being written out of the accounts the DSG funding relating to these schools will be paid directly to the school rather than the council in future years.

22. Property, plant and equipment

Movement on balances

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

2016/17 actuals

	Operational land £m	Operational buildings £m	Vehicles, plant and equipment £m	Infrastructure £m	Community assets £m	Surplus assets £m	Assets under construction £m	Total £m	PFI assets included in infrastructure £m
Cost									
As at 31 March 2016	115.978	239.675	28.676	183.991	6.230	5.618	22.220	602.388	18.096
Additions	1.441	12.246	4.506	13.168	0.826	0.026	0.000	32.213	0.000
Acc Depreciation & Impairment Written Out to Gross Carrying Value	(0.060)	(11.280)	0.000	0.000	0.000	(0.006)	0.000	(11.346)	0.000
Revaluation increases/ (decreases) recognised in the revaluation reserve	21.946	17.325	0.000	0.000	0.000	0.007	0.000	39.278	0.000
Revaluation increases/ (decreases) recognised in the surplus/ (deficit) on the provision of services	(4.300)	15.991	0.000	0.000	0.000	0.000	0.000	11.691	0.000
Derecognition - disposals	(2.916)	(9.665)	(0.347)	0.000	0.000	0.000	0.000	(12.928)	0.000
Assets reclassified (to)/ from held for sale	0.000	0.000	0.000	0.000	0.000	(0.525)	0.000	(0.525)	0.000
Assets reclassified (to)/from Investment Properties	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other movements in cost of valuation	0.005	22.215	0.000	0.000	0.000	0.000	(22.220)	0.000	0.000
Total cost movements in 2016/17	16.116	46.832	4.159	13.168	0.826	(0.498)	(22.220)	58.383	0.000
As at 31 March 2017	132.094	286.507	32.835	197.159	7.056	5.120	0.000	660.771	18.096

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	Operational land £m	Operational buildings £m	Vehicles, plant and equipment £m	Infrastructure £m	Community assets £m	Surplus assets £m	Assets under construction £m	Total £m	PFI assets included in infrastructure £m
Cost as at 31 March 2017	132.094	286.507	32.835	197.159	7.056	5.120	0.000	660.771	18.096
Depreciation									
As at 31 March 2016	(0.552)	(10.850)	(22.798)	(100.289)	(2.694)	(0.135)	(0.234)	(137.552)	(7.668)
Depreciation charge for the year	(0.120)	(11.348)	(2.949)	(6.351)	0.000	(0.005)	0.000	(20.773)	(0.603)
Acc Dep & Imp Written Out to Gross Carrying Value	0.060	11.280	0.000	0.000	0.000	0.006	0.000	11.346	0.000
Impairment losses / (reversals) recognised in the revaluation reserve	(0.296)	(0.953)	0.000	0.000	(0.004)	0.000	0.000	(1.253)	0.000
Impairment losses / (reversals) recognised in the surplus / (deficit) on the provision of services	(0.331)	(0.850)	(0.210)	(1.331)	(0.794)	(0.025)	0.000	(3.541)	0.000
Derecognition - disposals	0.000	0.312	0.286	0.000	0.000	0.000	0.000	0.598	0.000
Assets reclassified to/(from) Assets Held for Sale	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Assets reclassified to/(from) Investment Properties	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other movements	0.000	(0.234)	0.000	0.000	0.000	0.000	0.234	0.000	0.000
Total depreciation movements in 2016/17	(0.687)	(1.793)	(2.873)	(7.682)	(0.798)	(0.024)	0.234	(13.623)	(0.603)
As at 31 March 2017	(1.239)	(12.643)	(25.671)	(107.971)	(3.492)	(0.159)	0.000	(151.175)	(8.271)
Net book value at 31 March 2017	130.855	273.864	7.164	89.188	3.564	4.961	0.000	509.596	9.825
Net book value at 31 March 2016	115.426	228.825	5.878	83.702	3.536	5.483	21.986	464.836	10.428

2015/16 Comparatives

	Operational land £m	Operational buildings £m	Vehicles, plant and equipment £m	Infrastructure £m	Community assets £m	Surplus assets £m	Assets under construction £m	Total £m	PFI assets included in infrastructure £m
Cost									
As at 31 March 2015	128.815	243.295	28.532	162.458	6.032	7.830	11.579	588.541	18.096
Additions	0.426	11.167	2.147	19.855	0.189	0.000	20.054	53.838	0.000
Acc Depreciation & Impairment Written Out to Gross Carrying Value	0.000	(1.259)	0.000	0.000	0.000	(0.061)	0.000	(1.320)	0.000
Revaluation increases/ (decreases) recognised in the revaluation reserve	0.006	(0.222)	0.000	0.000	0.000	0.436	0.000	0.220	0.000
Revaluation increases/ (decreases) recognised in the surplus/ (deficit) on the provision of services	0.304	0.072	0.000	0.000	0.000	(0.077)	0.000	0.299	0.000
Derecognition - disposals	(13.791)	(13.952)	(2.003)	0.000	0.000	(0.438)	0.000	(30.184)	0.000
Assets reclassified (to)/ from held for sale	(0.160)	(0.414)	0.000	0.000	0.000	(1.612)	0.000	(2.186)	0.000
Assets reclassified (to)/from Investment Properties	0.000	0.000	0.000	0.000	0.000	(0.070)	(6.751)	(6.821)	0.000
Other movements in cost of valuation	0.378	0.988	0.000	1.678	0.009	(0.390)	(2.662)	0.001	0.000
Total cost movements in 2015/16	(12.837)	(3.620)	0.144	21.533	0.198	(2.212)	10.641	13.847	0.000
As at 31 March 2016	115.978	239.675	28.676	183.991	6.230	5.618	22.220	602.388	18.096

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	Operational land £m	Operational buildings £m	Vehicles, plant and equipment £m	Infrastructure £m	Community assets £m	Surplus assets £m	Assets under construction £m	Total £m	PFI assets included in infrastructure £m
Cost as at 31 March 2016	115.978	239.675	28.676	183.991	6.230	5.618	22.220	602.388	18.096
Depreciation									
As at 31 March 2015	(0.348)	(2.212)	(21.776)	(93.447)	(2.639)	(0.320)	(0.062)	(120.804)	(7.064)
Depreciation charge for the year	(0.121)	(8.703)	(2.758)	(5.964)	0.000	(0.010)	0.000	(17.556)	(0.604)
Acc Dep & Imp Written Out to Gross Carrying Value	0.000	1.259	0.000	0.000	0.000	0.061	0.000	1.320	0.000
Impairment losses / (reversals) recognised in the revaluation reserve	(0.013)	(3.109)	0.000	0.000	(0.001)	(0.007)	0.000	(3.130)	0.000
Impairment losses / (reversals) recognised in the surplus / (deficit) on the provision of services	(0.036)	(3.632)	0.000	(0.878)	(0.054)	(0.036)	(0.240)	(4.876)	0.000
Derecognition - disposals	0.007	5.182	1.736	0.000	0.000	0.109	0.000	7.034	0.000
Assets reclassified to/(from) Assets Held for Sale	0.000	0.414	0.000	0.000	0.000	0.027	0.000	0.441	0.000
Assets reclassified to/(from) Investment Properties	0.000	0.000	0.000	0.000	0.000	0.000	0.019	0.019	0.000
Other movements	(0.041)	(0.049)	0.000	0.000	0.000	0.041	0.049	0.000	0.000
Total depreciation movements in 2015/16	(0.204)	(8.638)	(1.022)	(6.842)	(0.055)	0.185	(0.172)	(16.748)	(0.604)
As at 31 March 2016	(0.552)	(10.850)	(22.798)	(100.289)	(2.694)	(0.135)	(0.234)	(137.552)	(7.668)
Net book value at 31 March 2016	115.426	228.825	5.878	83.702	3.536	5.483	21.986	464.836	10.428
Net book value at 31 March 2015	128.467	241.083	6.756	69.011	3.393	7.510	11.517	467.737	11.032

Capital commitments

At 31 March 2017, the council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2017/18 and future years which are budgeted to cost £37.127 million. Similar commitments at 31 March 2016 were £54.870 million. The major commitments are shown in the following table:

Projects	Council funded £m	Externally funded £m	Total £m
Academies	0.000	0.412	0.412
Active Living	0.556	0.242	0.798
Darlaston Strategic Development Area	0.266	0.188	0.454
Department of Health Capital Allocation	0.000	0.352	0.352
Environmental regeneration schemes	0.000	0.602	0.602
Growth Deal	0.000	26.370	26.370
Highways maintenance and improvements	3.242	4.309	7.551
Investment in parks and greenspaces	0.001	0.043	0.044
Investment in libraries	0.211	0.000	0.211
Investment in car parks	0.127	0.000	0.127
Other	0.156	0.000	0.156
Other neighbourhood projects	0.000	0.046	0.046
Primark & Co-op development	0.004	0.000	0.004
	4.563	32.564	37.127

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. All valuations were carried out internally. The effective date of the revaluations carried out in 2016/17 was 1 April 2016. These valuations were carried out in house by the council's Development Surveyor N Ford 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 market 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 2016.
- Assets under construction have been valued on a cost basis
- Infrastructure and community assets have been valued on a depreciated historic cost basis.

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 39. There has been no change in valuation methodology compared to last year.

2015/16						2016/17				
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
0.000	4.692	0.000	0.791	5.483	Surplus assets	0.002	4.416	0.348	0.195	4.961
0.000	4.692	0.000	0.791	5.483	Total	0.002	4.416	0.348	0.195	4.961

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

23. 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 2016/17. 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 2017 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 2017	£175.789m	£26.324m	£0m	£21.568m
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 2016/17 three schools converted to academy status. £11.995 million of school assets have been derecognised from the council's balance sheet, comprising:

Phoenix Primary EBD School	£2.734m
Fibbersley Park Primary School	£5.194m
Caldmore Village Primary School	£4.067m

In addition to the value of the assets being written out of the accounts the DSG will be paid directly to the school rather than the council in future years.

24. Heritage assets

Carrying value of heritage assets held by the council

2015/16 £m		2016/17 £m
19.607	As at 1 April 2016	19.503
0.032	Additions	0.040
(0.136)	Revaluations	0.000
19.503	Balance as at 31 March 2017	19.543

Heritage assets include art collections (£17.362 million 2016/17, £17.324 million 2015/16), museum collections (£1.950 million 2016/17, £1.950 million 2015/16), civic regalia (£0.223 million 2016/17, £0.223 million 2015/16).

Valuations

Art collections

The council's art collections are reported in the balance sheet at insurance valuations based on market values, the last such valuation being 31 March 2012. Valuations are based on research of the art market which establishes the recent sale prices at auction or from galleries of similar works.

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 a small number of additions of art works during 2016/17. These have been added to the relevant collections.

Disposal of heritage assets

There were no disposals of heritage assets during 2016/17.

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.

25. 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: www.thenewartgallerywalsall.org.uk.

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:

http://cms.walsall.gov.uk/index/libraries_museums_and_arts/museums.htm;

And the Black Country History website: <http://blackcountryhistory.org/>

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.

26. 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.

Movement on balances

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

2015/16				2016/17		
Level 2 £m	Level 3 £m	Total £m		Level 2 £m	Level 3 £m	Total £m
0.000	1.771	1.771	Balance at start of the year	6.816	1.824	8.640
			Additions			
0.000	0.084	0.084	Subsequent capital expenditure	0.000	0.000	0.000
0.000	(0.017)	(0.017)	Disposals	0.000	(0.420)	(0.420)
0.000	0.000	0.000	Net gains/(losses) from fair value adjustments	(0.066)	0.952	0.886
			Transfers			
6.816	(0.014)	6.802	(to)/from Property, Plant and Equipment	0.000	0.000	0.000
6.816	0.053	6.869	Total movements in year	(0.066)	0.532	0.466
6.816	1.824	8.640	Balance at end of the year	6.750	2.356	9.106

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 39 for an explanation of the fair value levels).

2015/16				2016/17		
Level 2 £m	Level 3 £m	Total £m		Level 2 £m	Level 3 £m	Total £m
6.816	0.560	7.376	Shops	6.750	0.175	6.925
0.000	1.264	1.264	Leased land	0.000	2.181	2.181
6.816	1.824	8.640	Total	6.750	2.356	9.106

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.

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
Shops	Yields	4%-6%	Changes in yields or occupancy will result in a higher or lower value
Leased Land	Yields	4%-6%	Changes in yields or occupancy will result in a higher or lower value

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 April 2016. These valuations were carried out in house by the council's Development Surveyor N Ford MRICS in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

27. 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.

2015/16 £m		2016/17 £m
	Balance at start of year	
3.359	- Gross carrying amounts	4.845
(2.285)	- accumulated amortisation	(3.072)
	Additions	
1.728	- purchase	0.799
(0.242)	Impairment losses recognised in the surplus/deficit on the provision of services	(0.006)
(0.787)	Amortisation for the year	(0.959)
0.699	Total movements in the year	(0.166)
1.773	Net carrying amount at end of the year	1.607
	Comprising:	
4.845	- Gross carrying amounts	5.638
(3.072)	- accumulated amortisation	(4.031)
1.773	Net book value at 31 March	1.607

28. 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.

2015/16 £m		2016/17 £m
6.827	Balance outstanding at start of year	4.667
	<i>Assets newly classified as held for sale:</i>	
1.745	Property, plant and equipment	0.525
	<i>Assets de-classified as held for sale:</i>	
0.000	Property, plant and equipment	0.000
	<i>Other movements</i>	
(3.905)	Assets sold	(1.400)
0.000	Other movements	0.000
4.667	Balance outstanding at year-end	3.792

29. 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.

2015/16 £m		2016/17 £m
310.336	Opening capital financing requirement	328.019
	Capital investment	
53.838	Property, plant and equipment	32.213
0.084	Investment property	0.000
0.032	Heritage assets	0.040
33.222	Revenue expenditure funded from capital under statute	47.795
1.728	Intangible assets	0.799
88.904		80.847
	Sources of finance	
(0.790)	Capital receipts	(2.016)
(56.620)	Government grants and contributions	(64.762)
	<u>Sums set aside from revenue</u>	
(6.052)	Direct revenue contributions	(3.118)
(7.701)	Minimum revenue provision (MRP)	(3.820)
(71.163)		(73.716)
	Other capital adjustments	
(0.058)	Adjustments related to finance lease disposals	0.000
(0.058)		0.000
328.019	Closing capital financing requirement	335.150
	Explanation of movements in year	
25.442	Increase in current year underlying need to borrow	10.951
(6.410)	Decrease in prior years underlying need to borrow (MRP)	(2.994)
(0.673)	Reduction in liability on PFI schemes (MRP)	(0.526)
(0.676)	Reduction in liability on Finance Leases (MRP)	(0.300)
17.683	Increase/(decrease) in capital financing requirement	7.131

There has been an increase in revenue expenditure funded from capital under statute during 2016/17 as a result of Growth Deal grant funding received by the council. The Growth Deal capital scheme is designed to provide local businesses and organisations with grant funding to promote growth of their businesses and create jobs. As such the assets are not the councils and are classified as revenue expenditure funded from capital under statute. Government grants and contributions have increased as a result of the Growth Deal grant funding.

There has been a reduction in the underlying need for the council to borrow due to an increase in grants received and reductions in capital spend.

30. 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 at the following amounts.

31 March 2016 £m		31 March 2017 £m
0.698	Vehicles, plant, furniture and equipment	2.871
0.698	Total	2.871

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:

31 March 2016 £m		31 March 2017 £m
	<u>Finance lease liabilities (net present value of minimum lease payments):</u>	
0.142	- current	0.496
0.596	- non-current	2.379
0.202	Finance costs payable in future years	0.465
0.940	Minimum lease payments	3.340

The minimum lease payments will be payable over the following periods:

	Minimum lease payments			Finance lease liabilities	
	31 March 2016 £m	31 March 2017 £m		31 March 2016 £m	31 March 2017 £m
Not later than one year	0.179	0.554		0.142	0.496
Later than one year and not later than five years	0.526	1.998		0.432	1.729
Later than five years	0.236	0.788		0.164	0.650
	0.941	3.340		0.738	2.875

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 2016 £m		31 March 2017 £m
0.471	Not later than one year	0.373
1.089	Later than one year and not later than five years	1.704
3.716	Later than five years	3.822
5.276	Total	5.898

The council has sub-let some of the vehicles held under these operating leases. At 31 March 2017 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:

2015/16 £m		2016/17 £m
0.809	Minimum lease payments	0.747
0.219	Contingent rents	0.253
(0.098)	Sublease payments received	(0.094)
0.930	Total	0.906

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 2016 £m		31 March 2017 £m
0.422	Not later than one year	0.589
1.320	Later than one year and not later than five years	1.965
6.595	Later than five years	10.544
8.337	Total	13.098

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 2016/17 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.

31. Private finance initiatives and similar contracts

St Thomas More School

2016/17 was the fourteenth year of a 25 year private finance initiative (PFI) contract for the construction, maintenance and operation of a new 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 2017/18	2.245
Payable within two to five years	9.439
Payable within six to ten years	12.900
Payable within eleven years	2.737
Total	27.321

Public street lighting

2016/17 was the thirteenth 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. Movements in their value over the year are detailed in the analysis of the movement on the property, plant and equipment balance in note 22.

Payments

The council makes an agreed payment each year 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 2017 (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 2017/18	2.588	0.530	0.077	3.195
Payable within two to five years	10.955	2.104	0.245	13.304
Payable within six to ten years	14.811	2.905	0.148	17.864
Payable within eleven to twelve years	3.437	0.610	0.008	4.055
Total	31.791	6.149	0.478	38.418

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 liability to the contractor for capital expenditure incurred is as follows:

2015/16 £m		2016/17 £m
(7.348)	Balance outstanding at start of year	(6.675)
0.673	Payments during the year	0.526
(6.675)	Balance outstanding at year-end	(6.149)

Housing 21

2016/17 was the ninth 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 2017/18	8.324
Payable within two to five years	35.430
Payable within six to ten years	49.504
Payable within eleven to fifteen years	56.009
Payable within sixteen to twenty years	63.369
Payable within twenty one	13.640
Total	226.276

32. Financial instruments

Categories of financial instruments

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

2015/16			2016/17	
Long term £m	Current £m		Long term £m	Current £m
		Investments		
10.581	119.986	Loans and receivables	5.149	147.790
20.546	0.000	Available for sale financial assets	25.084	0.000
31.127	119.986	Total Investments	30.233	147.790
		Debtors		
8.649	0.000	Loans and receivables	8.169	0.000
0.000	50.881	Financial assets carried at contract amounts	0.000	47.077
8.649	50.881		8.169	47.077
0.000	8.955	Council Tax and NNDR debtors not classed as financial instruments	0.000	13.273
8.649	59.836	Total Debtors	8.169	60.350
		Borrowings		
(233.379)	(9.355)	Financial liabilities at amortised cost	(246.727)	(29.418)
(233.379)	(9.355)	Total Borrowings	(246.727)	(29.418)
		Other long term liabilities		
(6.149)	0.000	PFI	(5.619)	0.000
(0.538)	0.000	Finance leases	(2.500)	0.000
(6.687)	0.000		(8.119)	0.000
		Other long term liabilities that are not financial instruments		
(480.576)	0.000	Pensions	(617.464)	0.000
(480.576)	0.000		(617.464)	0.000
(487.263)	0.000	Total other long term liabilities	(625.583)	0.000
		Creditors		
0.000	(67.311)	Financial liabilities carried at contract cost	0.000	(61.273)
0.000	(67.311)		0.000	(61.273)
0.000	(3.293)	Council Tax and NNDR creditors not classed as financial instruments	0.000	(3.041)
0.000	(70.604)	Total creditors	0.000	(64.314)

The loans and receivables investments consist of investments with commercial banks. Of the short term investments £137.560 million (£112.187 million 2015/16) consist of maturity investments and £10.230 million (£7.799 million 2015/16) are classed as cash equivalents (see note 35 page 99).

The available for sale assets consists of the council's share holding 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% (£23.553m) 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 £15.384m of BAH's 6.31% preference shares, of which Walsall Council owns £1.531m. These are cumulative and irredeemable.

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.

The long term debtors contains of £6.1m Waste Disposal debt from the former West Midlands County Council owed to Walsall Council by the other West Midlands councils and £2m underwriting of the Local Authority Mortgage Scheme.

Income, expense, gains and losses

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

2015/16					2016/17			
Financial liabilities: measured at amortised cost £m	Financial assets: loans and receivables £m	Financial assets: available-for-sale assets £m	Total £m		Financial liabilities: measured at amortised cost £m	Financial assets: loans and receivables £m	Financial assets: available-for-sale assets £m	Total £m
(21.009)	0.000	0.000	(21.009)	Interest expense	(16.819)	0.000	0.000	(16.819)
0.127	0.000	0.000	0.127	Less finance lease interest and PFI interest	0.127	0.000	0.000	0.127
(20.882)	0.000	0.000	(20.882)	Total expense in surplus/(deficit) on the provision of services	(16.692)	0.000	0.000	(16.692)
0.000	2.210	4.791	7.001	Interest & investment income	0.000	2.040	1.492	3.532
0.000	2.210	4.791	7.001	Total income in surplus/(deficit) on the provision of services	0.000	2.040	1.492	3.532
0.000	0.000	1.873	1.873	Gains on revaluation	0.000	0.000	4.538	4.538
0.000	0.000	0.000	0.000	Losses on revaluation	0.000	0.000	0.000	0.000
0.000	0.000	1.873	1.873	Surplus/ (deficit) arising on revaluation of financial assets in other comprehensive income and expenditure	0.000	0.000	4.538	4.538
(20.882)	2.210	6.664	(12.008)	Net gain/ (loss) in year	(16.692)	2.040	6.030	(8.622)

Fair value of assets and liabilities

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:

2015/16			2016/17	
Carrying Amount £m	Fair Value £m		Carrying Amount £m	Fair Value £m
(110.390)	(145.803)	PWLB loans	(98.217)	(149.100)
(20.877)	(25.282)	Other local authority debt	(19.567)	(24.111)
(0.379)	(0.379)	Individuals	(0.332)	(0.332)
(103.368)	(142.039)	Lenders option/borrowers option/market debt	(103.432)	(144.262)
(7.720)	(7.001)	Other loans	(54.597)	(52.120)
(242.734)	(320.504)	Financial liabilities	(276.145)	(369.925)

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 2017) arising from a commitment to pay interest to lenders above current market rates.

The fair values of financial assets calculated are as follows:

2015/16			2016/17	
Carrying Amount £m	Fair Value £m		Carrying Amount £m	Fair Value £m
10.581	10.733	Long term investments	5.149	5.118
112.187	112.607	Short term investments	137.560	137.903
7.799	7.799	Short term liquid deposits	10.230	10.231
20.546	20.546	Available for sale financial assets	25.084	25.084
8.649	8.649	Long term debtors	8.169	8.169
159.762	160.334	Financial assets	186.192	186.505

The fair value of the assets is higher than the carrying amount because the council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2017) attributable to the commitment to receive interest above current market rates.

Available for sale assets are carried in the balance sheet at their fair value. The council's shareholding in Birmingham International Airport is not traded in an active market and fair value of £25.084 million has been based on valuation techniques that are based on observable current market transactions (Level 2). 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.

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

33. 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 25 February 2016 and is available on the council website. The key issues within the strategy were:

- The authorised limit for the 2016/17 was set at £360.965m. This is the maximum limit of external borrowings or other long term liabilities
- The operational boundary was set at £328.150m. 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
- The maximum and minimum exposures to the maturity structure of debt are shown on page 96.

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. Details of the investment strategy can be found on the council's website www.walsall.gov.uk. 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 – 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 2017 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.

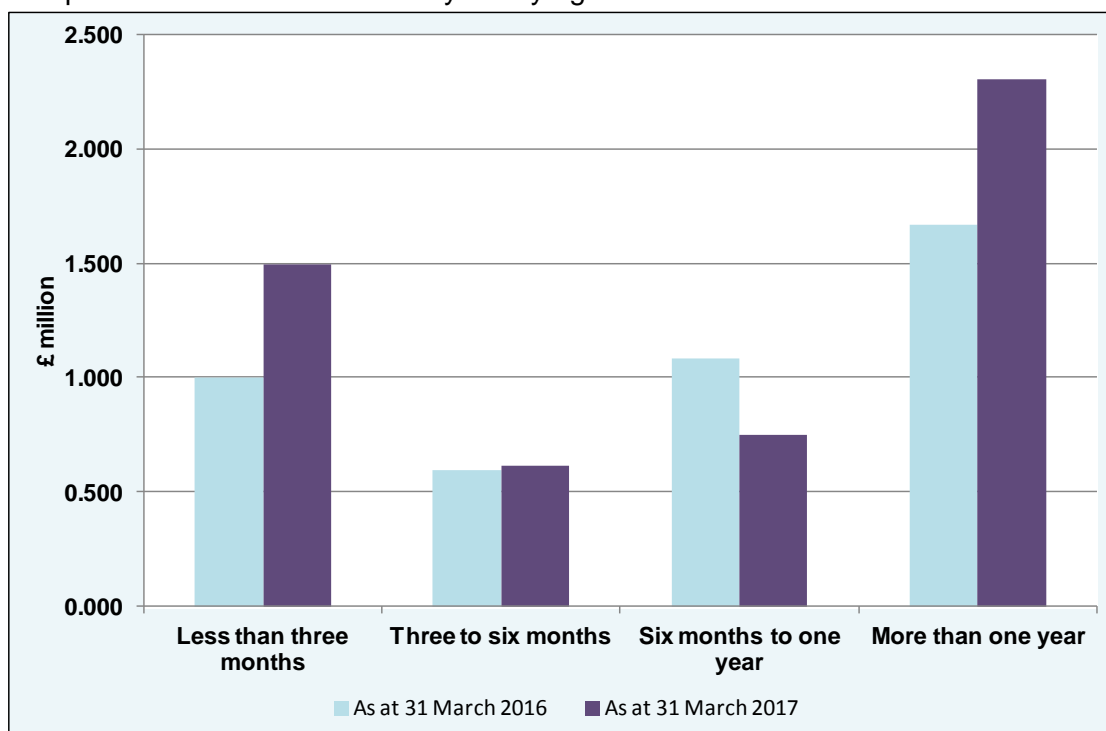
	Amount as at 31 March 2017	Historical experience of default as at 31 March 2017	Adjustment for market conditions as at 31 March 2017	Estimated maximum exposure to default as at 31 March 2017	Estimated maximum exposure to default as at 31 March 2016
Bonds rated:	£m	%	%	£m	£m
AAA	0.000	0.04%	0.00%	0.000	0.005
AA	0.000	0.02%	0.00%	0.000	0.001
A	81.230	0.06%	0.00%	0.049	0.011
Rated Building Societies rated BB and above	3.000	0.46%	0.00%	0.014	0.140
Unrated Building Societies	35.000				
Challenger Banks	35.000				
Trade debtors	19.682			Local experience	Local experience
Total	173.912				

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.

The council does not generally allow credit for its sundry trade debtors. £4.351 million of the £6.424 million sundry debtors balance is past its due date for payment. There is an automated recovery process in place that issues reminder letters at specified intervals, following this weekly reports detailing debts that are overdue are produced for further recovery action. Further recovery action will include the following options:

Telephone chasing / written chasing, referral to debt collection agency, legal recovery through County / High Court, referral to legal services.

The past due amount can be analysed by age as follows:



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:

	2015/16 £m	2016/17 £m
Less than one year	120.067	149.939
Between one and two years	10.500	5.000
Between two and five years	2.000	0.000
More than five years	27.195	31.253
Total	159.762	186.192

Refinancing and Maturity risk

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 approved treasury indicator limits for the maturity structure of debt and the limits set on investment levels that can be placed for greater than one year in duration are the key parameters used to address this risk. The council approved treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the treasury management strategy, see page 93):

Maturity Period	Approved minimum limits £m	Approved maximum limits £m	Actual 31 March 2017 £m	Actual 31 March 2016 £m
Less than 1 year	0.000	69.036	62.923	62.986
Between 1 and 2 years	0.000	69.036	35.000	35.250
Between 2 and 5 years	0.000	110.458	52.000	32.000
Between 5 and 10 years	13.807	138.073	32.839	37.256
More than 10 years	82.844	234.723	93.383	75.242
Total			276.145	242.734

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. For this reason the maturity profile shows maturities greater than the approved debt range for loans maturing less than 1 year. However the majority of these loans have an overall maturity date greater than this.

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 1% higher (with all other variables held constant) the financial effect would be as follows:

	£m
Increase in interest payable on variable rate borrowings	0.975
Increase in interest receivable on variable rate investments	0.031
Increase in government grant receivable for financing costs	0.000
Impact on surplus or (deficit) on the provision of services	1.006
Decrease in fair value of fixed rate investment assets	0.312
Impact on other comprehensive income and expenditure	0.312
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)	(49.421)

The approximate impact of a 1% 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 32, page 90.

Price risk

The council, excluding the pension fund, does not generally invest in equity shares or marketable bonds. However, it does have shareholdings to the value of £25.084 million in Birmingham Airport (£23.553 million ordinary shares and £1.531 million preference shares).

The shares are all classified as available-for-sale, meaning that all movements in price will impact on gains and losses recognised in the available for sale reserve. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £1.177 million gain or loss being recognised in the available for sale reserve.

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.

34. Debtors

This table shows the amounts owed to the council for which payments have not been received by 31 March 2017, but which should be paid within one year.

2015/16 £m		2016/17 £m
1.686	Capital debtors	0.576
6.691	Central government bodies	2.932
1.193	Other local authorities	2.460
1.651	NHS bodies	1.278
0.002	Public corporations and trading funds	0.000
16.618	Council Tax receivable from taxpayers	18.574
3.038	NDR receivable from taxpayers	3.501
28.957	Other entities and individuals	31.029
59.836	Total	60.350
(23.010)	Provision for bad (and doubtful) debts	(20.629)
36.826	Total	39.721

Within other entities and individuals £0.489 million (£0.835 million in 2015/16) 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.

Provision for bad and doubtful debts

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

2015/16 £m		2016/17 £m
(10.031)	Council Tax	(5.981)
(1.545)	NDR	(1.756)
(11.434)	Other debtors	(12.892)
(23.010)	Total	(20.629)

35. Cash and cash equivalents

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

2015/16 £m		2016/17 £m
0.047	Cash held by the council	0.045
(3.042)	Bank current accounts	(2.035)
7.799	Short term deposits	10.230
4.804	Total	8.240

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

36. Creditors

This table shows the amounts owed by the council for which payments have not been paid by 31 March 2017, but which should be paid within one year.

2015/16 £m		2016/17 £m
(19.938)	Capital creditors	(21.814)
(6.784)	Central government bodies	(5.301)
(2.960)	Other local authorities	(1.310)
(2.609)	NHS bodies	(1.191)
(0.001)	Public corporations/trading funds	0.000
(38.312)	Other entities and individuals	(34.698)
(70.604)	Total	(64.314)

37. 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 2016	(4.496)	(0.934)	(1.503)	(3.685)	(0.661)	(11.279)
Additional provisions made in 2016/17	(0.004)	(1.071)	(0.926)	0.000	(0.030)	(2.031)
Amounts used in 2016/17	0.024	1.161	1.503	0.000	0.208	2.896
Unused amounts reversed in 2016/17	0.000	0.000	0.000	1.081	0.246	1.327
Balance at 31 March 2017	(4.476)	(0.844)	(0.926)	(2.604)	(0.237)	(9.087)

Back pay

During 2016/17 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. However, following recent legal rulings, there still remains a risk of potential further equal pay claims.

In accordance with IAS37 Provisions, Contingent Liabilities and Contingent Assets the council has not disclosed an estimate of potential costs as at this stage this could prejudice the position of the council should any liability accrue.

Insurance fund

The council has an established insurance fund to cover excesses on claims. These outstanding claims amount to £2.493 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 £0.844 million (£0.934 million 2015/16) for which a provision is held to cover this.

Pensions and redundancy costs

The council has created an additional provision of £0.926 million for pension and redundancy costs in relation to restructures undertaken during 2016/17. During 2016/17 £1.503 million was charged against this provision utilising all of the 2015/16 provision. The £0.926 million will be carried forward to 2016/17 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 114.

Other

In addition to the above provisions the council holds £0.237 million (£0.661 million 2015/16) 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	(4.476)	0.000	(0.926)	(2.604)	(0.237)	(8.243)
1-2 years	0.000	(0.844)	0.000	0.000	0.000	(0.844)
Balance at 31 March 2017	(4.476)	(0.844)	(0.926)	(2.604)	(0.237)	(9.087)

38. Usable reserves

Movements in the council's usable reserves can be found in the movement in reserves statement (page 32). The movement in reserve notes shows the details for the council's earmarked reserves.

2015/16 £m		2016/17 £m
(14.131)	General fund reserve	(13.904)
(130.321)	Earmarked reserves	(129.634)
(20.955)	Capital grants unapplied account	(22.380)
(8.122)	Capital receipts reserve	(7.829)
(173.529)	Total	(173.747)

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.

2015/16 £m		2016/17 £m
(22.972)	Balance brought forward	(20.955)
(10.495)	Current year capital grants unapplied credited from comprehensive income and expenditure statement	(8.952)
12.512	Prior year capital grants applied against capital expenditure	7.527
(20.955)	Total	(22.380)

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.

2015/16 £m		2016/17 £m
(7.171)	Balance brought forward	(8.122)
(1.739)	Capital receipts received during the year	(1.722)
(0.009)	Capital receipts released from deferred capital receipts	(0.006)
0.790	Capital receipts applied against capital expenditure	2.016
0.007	Capital receipts paid to CLG for pooling of housing capital receipts	0.005
(8.122)	Total	(7.829)

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 2016/17.

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 £m 31/03/2015	Transfers in £m 2015/16	Transfers out £m 2015/16	Balance as at £m 31/03/2016	Transfers in £m 2016/17	Transfers out £m 2016/17	Balance as at £m 31/03/2017
Treasury reserves							
Borrowing re-scheduling	(7.196)	(8.000)	7.196	(8.000)	0.000	0.000	(8.000)
Treasury commutation	(5.120)	(1.624)	3.734	(3.010)	0.000	0.000	(3.010)
MRP equalisation	0.000	0.000	0.000	0.000	(6.718)	0.000	(6.718)
Grants received in advance							
Crisis Support	(1.390)	0.000	0.280	(1.110)	0.000	0.575	(0.535)
Dedicated schools grant	(8.493)	(2.617)	1.587	(9.523)	(2.931)	0.469	(11.985)
Grant funding in advance under IFRS	(7.878)	(2.012)	2.120	(7.770)	(0.538)	2.419	(5.889)
Private finance initiative	(18.994)	(1.401)	0.000	(20.395)	(1.156)	0.000	(21.551)
Public Health	(2.228)	(1.748)	1.698	(2.278)	(1.009)	1.182	(2.105)
Walsall works	(0.787)	0.000	0.223	(0.564)	0.000	0.308	(0.256)

	Balance as at 31/03/2015 £m	Transfers in 2015/16 £m	Transfers out 2015/16 £m	Balance as at 31/03/2016 £m	Transfers in 2016/17 £m	Transfers out 2016/17 £m	Balance as at 31/03/2017 £m
Demand led							
Children's demand led services	(1.650)	(2.609)	4.259	0.000	(1.000)	0.000	(1.000)
Children's Social Workers	0.000	(1.000)	0.000	(1.000)	0.000	0.742	(0.258)
Housing Subsidy	(1.500)	0.000	1.000	(0.500)	(0.248)	0.000	(0.748)
Transformation	0.000	0.000	0.000	0.000	(1.119)	0.070	(1.049)
Improvement projects							
Carbon management reduction programme	(2.072)	(0.060)	0.862	(1.270)	(0.065)	0.000	(1.335)
City Deal	(2.500)	0.000	0.000	(2.500)	0.000	0.000	(2.500)
Economic Growth Programme	0.000	(2.657)	0.204	(2.453)	0.000	0.062	(2.391)
Growth Deal	0.000	(0.267)	0.000	(0.267)	(0.336)	0.000	(0.603)
Phoenix 10	0.000	(0.650)	0.000	(0.650)	0.000	0.171	(0.479)
Project reserve	(8.797)	(0.314)	6.764	(2.347)	(0.724)	0.567	(2.504)
Strategic capital investment	(7.536)	0.000	4.153	(3.383)	(0.500)	0.000	(3.883)
Council liabilities							
Business rates retention scheme	(2.829)	(2.270)	0.274	(4.825)	0.000	1.150	(3.675)
Environmental warranties	(1.000)	0.000	0.000	(1.000)	0.000	0.000	(1.000)
Insurance fund	(2.517)	0.000	0.000	(2.517)	0.000	0.384	(2.133)
Mediation	(2.378)	(0.500)	1.416	(1.462)	(0.899)	0.064	(2.297)
Pensions / ABS	(17.138)	(1.910)	0.000	(19.048)	(0.449)	0.142	(19.355)
Transactional employment & pension costs	(10.494)	0.000	0.197	(10.297)	0.000	4.229	(6.068)
Workforce planning	(2.787)	(6.106)	5.011	(3.882)	(0.105)	3.783	(0.204)
Other							
Buy not lease	(0.626)	0.000	0.051	(0.575)	0.000	0.000	(0.575)
Contract Negotiations	0.000	(3.000)	0.000	(3.000)	0.000	0.000	(3.000)
Audit and Inspection	0.000	0.000	0.000	0.000	(2.000)	0.000	(2.000)
Other earmarked reserves individually below £500k	(15.943)	(4.246)	13.920	(6.269)	(1.941)	2.921	(5.289)
Earmarked general fund balances	(131.853)	(42.991)	54.949	(119.895)	(21.738)	19.238	(122.395)
Nursery schools	(0.274)	(0.322)	0.275	(0.321)	(0.291)	0.321	(0.291)
Primary schools	(8.515)	(6.767)	9.073	(6.209)	(4.492)	6.341	(4.360)
Secondary schools	(0.810)	(0.515)	0.811	(0.514)	(0.444)	0.521	(0.437)
Special schools	(1.825)	(2.178)	2.445	(1.558)	(0.693)	1.714	(0.537)
Foundation schools	(1.889)	(1.823)	1.888	(1.824)	(1.614)	1.824	(1.614)
School balances	(13.313)	(11.605)	14.492	(10.426)	(7.534)	10.721	(7.239)
Total	(145.166)	(54.596)	69.441	(130.321)	(29.272)	29.959	(129.634)

39. Unusable reserves

Movements in the council's unusable reserves can be found in the movement in reserves statement (page 32) and note 10 (page 58).

2015/16 £m		2016/17 £m
(78.919)	Revaluation reserve	(114.476)
(13.841)	Available for sale financial instruments account	(18.379)
(101.187)	Capital adjustment account	(102.723)
(1.102)	Deferred capital receipts reserve	(1.091)
480.576	Pensions reserve	617.464
1.323	Collection fund adjustment account	(5.819)
4.571	Accumulated absences account	5.522
291.421	Total	380.498

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 balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The 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.

2015/16 £m		2016/17	
		£m	£m
(97.115)	Balance at 1 April		(78.919)
(0.648)	Upward revaluation of assets	(46.720)	
0.564	Downward revaluation of assets and impairment losses not charged to the surplus/(deficit) on the provision of services	7.442	
3.130	Impairment losses or (reversals) on non-current assets charged to the revaluation reserve	1.253	
3.046	(Surplus) or deficit on revaluation of non-current assets not posted to the surplus or (deficit) on the provision of services		(38.025)
1.429	Difference between fair value depreciation and historical cost depreciation	1.945	
13.721	Accumulated gains on assets sold or scrapped	0.523	
15.150	Amount written off to the capital adjustment account		2.468
(78.919)	Balance at 31 March		(114.476)

Available for sale financial instruments reserve

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. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

2015/16 £m		2016/17 £m
(11.968)	Balance at 1 April	(13.841)
(1.873)	Upward revaluation of investments	(4.538)
(1.873)		(4.538)
(13.841)	Balance at 31 March	(18.379)

Capital adjustment account

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 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.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the council.

The account contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains. Note 10 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

The following table details the balances and movements within the capital adjustment account.

2015/16 £m		£m	2016/17 £m
(98.270)	Balance at 1 April		(101.187)
	Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement		
22.431	Depreciation and impairment of non-current assets	24.314	
(0.299)	Revaluation losses on property, plant and equipment	(11.691)	
1.029	Amortisation and impairment of intangible assets	0.965	
1.988	Revenue expenditure funded from capital under statute	2.154	
27.018	Non-current assets written off on disposal or sale	14.150	
52.167			29.892
	Adjustments debited or credited to the revaluation reserve		
(1.429)	Difference between fair value depreciation and historical cost depreciation transferred to revaluation reserve		(1.945)
(13.721)	Accumulated gains on assets sold or scrapped transferred from revaluation reserve		(0.523)
37.017	Net written out amount of the cost of non-current assets consumed in the year		27.424
	Capital financing applied in the year		
(0.790)	Use of capital receipts to finance capital expenditure	(2.016)	
(12.875)	Use of current year capital grants to finance capital expenditure	(11.588)	
(12.512)	Use of carried forward capital grants to finance capital expenditure	(7.527)	
(7.706)	Statutory provision for the financing of capital investment	(3.825)	
(6.051)	Capital expenditure charged against the general fund	(3.118)	
(39.934)	Total financing applied to capital expenditure in the year		(28.074)
0.000	Movement in the market value of investment properties		(0.886)
(101.187)	Balance at 31 March		(102.723)

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.

2015/16 £m		2016/17 £m
(1.116)	Balance at 1 April	(1.102)
0.005	Release of deferred capital receipts to revenue as per regulations	0.005
0.009	Transfer to the capital receipts reserve upon receipt of cash	0.006
(1.102)	Balance at 31 March	(1.091)

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.

2015/16 £m		2016/17 £m
527.513	Balance at 1 April	480.576
(54.989)	Remeasurements of net defined benefits liabilities/(assets)	130.999
41.840	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	40.382
(33.788)	Employer's pensions contributions and direct payments to pensioners payable in the year	(34.493)
480.576	Balance at 31 March	617.464

For further information on the changes in the defined benefit pension scheme please see page 65.

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 111.

2015/16 £m		2016/17 £m
3.365	Balance at 1 April	1.323
(2.046)	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	(2.744)
0.004	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	(4.398)
1.323	Balance at 31 March	(5.819)

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.

2015/16 £m		2016/17 £m
6.060	Balance at 1 April	4.571
(1.489)	Movement by which officer remuneration charged to CIES is different to that chargeable in year in accordance with statutory requirements compared to previous year	0.951
4.571	Balance at 31 March	5.522

40. Cash flow statement – adjustment for non-cash items in the net surplus/deficit on the provision of services

2015/16 £m		2016/17 £m
(22.431)	Depreciation and impairments	(24.314)
0.299	Revaluations	11.691
(1.029)	Amortisation and impairments of intangible assets	(0.965)
(11.352)	Increase/(decrease) in debtors	5.842
13.696	(Increase)/decrease in creditors	8.788
(0.106)	Increase/(decrease) in inventories	(0.165)
(8.052)	Movement in pension liability	(5.889)
(27.018)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(14.150)
(2.388)	Other non-cash items charged to the net surplus/deficit on the provision of services	1.929
(58.381)	Total	(17.232)

41. Cash flow statement – adjustments for investing and financing activities in the net surplus/deficit on the provision of services

2015/16 £m		2016/17 £m
(177.400)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(137.558)
1.738	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1.722
54.576	Any other items for which the cash effects are investing or financing cash flows	66.217
(121.086)	Total	(69.619)

42. Cash flow statement – operating activities

2015/16 £m		2016/17 £m
(2.104)	Interest received	(1.826)
21.046	Interest paid	12.043
(4.802)	Dividends received	(1.213)
14.140	Total	9.004

43. Cash flow statement – investing activities

2015/16 £m		2016/17 £m
40.716	Purchase of property, plant and equipment, investment property and intangible assets	28.559
166.100	Purchase of short-term and long-term investments	157.558
(1.747)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1.728)
(54.990)	Other receipts from investing activities	(66.607)
150.079	Net cash flows from investing activities	117.782

44. Cash flow statement – financing activities

2015/16 £m		2016/17 £m
(9.841)	Cash receipts of short - and long-term borrowing	(52.035)
0.305	Other receipts from financing activities	(1.940)
0.896	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	0.826
21.391	Repayments of short- and long-term borrowing	18.359
12.751	Net cash flows from financing activities	(34.790)

45. Contingent liabilities

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 has recently published her report on this matter and the council is currently reviewing the outcome of this.

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.

Equal Pay

During 2016/17 Walsall continued to settle outstanding equal pay claims, based on memorandums of understanding reached with the claimants legal representatives. Following recent legal rulings there remains a risk of further equal pay claims.

In accordance with IAS37 Provisions, Contingent Liabilities and Contingent Assets the council has not disclosed an estimate of potential costs as at this stage this could seriously prejudice the position of the council.

46. Contingent assets

The council has no contingent assets to disclose as at 31 March 2017.

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).

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme was to give councils a greater incentive to grow businesses in the Borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NDR tax base.

The scheme allows the council to retain a proportion of the total NDR received. Walsall's share is 49% with the remainder paid to precepting bodies. For Walsall the NDR precepting bodies are Central Government (50% share) and WMFS (1% share).

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.

From 1 April 2017 the proportional shares set out above will change as a result of the council participating in a 100% Business Rates Retention scheme. Further details on this scheme can be found on page 21.

1. Collection Fund income and expenditure account

2015/16				2016/17		
Council Tax £m	NDR £m	Total £m		Council Tax £m	NDR £m	Total £m
			Income			
(108.520)	0.000	(108.520)	Income from council tax	(114.640)	0.000	(114.640)
(108.520)	0.000	(108.520)	Sub total	(114.640)	0.000	(114.640)
0.000	(66.753)	(66.753)	Income collectable from business ratepayers	0.000	(69.166)	(69.166)
(108.520)	(66.753)	(175.273)	Total income	(114.640)	(69.166)	(183.806)
			Expenditure			
			Council Tax Precepts:			
93.703	0.000	93.703	Walsall Council	100.991	0.000	100.991
6.942	0.000	6.942	Police	7.532	0.000	7.532
3.579	0.000	3.579	Fire and Civil Defence	3.783	0.000	3.783
			Business Rates:			
0.000	31.647	31.647	Payments to Government	0.000	30.569	30.569
0.000	0.633	0.633	Payments to Fire	0.000	0.611	0.611
0.000	31.025	31.025	Payments to Walsall Council	0.000	29.973	29.973
0.000	0.340	0.340	Costs of collection	0.000	0.339	0.339
0.000	0.920	0.920	Transitional protection payments	0.000	0.106	0.106
0.000	0.004	0.004	Enterprise Zone relief	0.000	0.010	0.010
0.000	0.000	0.000	Deferred income	0.000	0.000	0.000
1.433	0.213	1.646	Provisions	(4.514)	0.431	(4.083)
0.035	0.762	0.797	Write offs	0.017	0.368	0.385
0.000	1.337	1.337	Provision for appeals	0.000	(2.206)	(2.206)
105.692	66.881	172.573	Total expenditure	107.809	60.201	168.010
(2.828)	0.128	(2.700)	(Surplus)/deficit for year	(6.831)	(8.965)	(15.796)
			Collection Fund Balance			
(1.263)	9.060	7.797	Balance brought forward at 1 April	(3.530)	9.188	5.658
0.037	0.000	0.037	Police - payment to / (from)	0.252	0.000	0.252
0.019	0.000	0.019	Fire - payment to / (from)	0.130	0.000	0.130
0.505	0.000	0.505	Walsall Council - payment to / (from)	3.398	0.000	3.398
(2.828)	0.128	(2.700)	(Surplus)/deficit for the year (as above)	(6.831)	(8.965)	(15.796)
(3.530)	9.188	5.658	Balance carried forward at 31 March	(6.581)	0.223	(6.358)
			Allocated to:			
(3.174)	4.497	1.323	Walsall Council	(5.918)	0.099	(5.819)
0.000	0.005	0.005	Walsall Council Enterprise Zone	0.000	0.010	0.010
(0.235)	0.000	(0.235)	Police	(0.441)	0.000	(0.441)
(0.121)	0.092	(0.029)	Fire	(0.222)	0.002	(0.220)
0.000	4.594	4.594	Government	0.000	0.112	0.112
(3.530)	9.188	5.658		(6.581)	0.223	(6.358)

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 2016/17 is as follows:

Band	Weighting	Number of dwellings on valuation list	Discounted value for council tax purposes	Band D equivalent	Band D equivalent for 2015/16
A	6/9	50,124	30,763	20,500	19,214
B	7/9	26,275	20,029	15,578	14,990
C	8/9	17,701	14,898	13,243	13,002
D	9/9	10,032	8,908	8,908	8,866
E	11/9	5,576	5,102	6,236	6,114
F	13/9	2,376	2,215	3,200	3,154
G	15/9	757	705	1,175	1,158
H	18/9	53	29	58	74
		112,894	82,649	68,898	66,572

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. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NDR pool) administered by central government, who in turn, paid to local authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/14, the administration of NDR changed following the introduction of a business rates retention scheme which aims to give councils a greater incentive to grow businesses in their area but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NDR to the central pool, local authorities retain a proportion of the total collectable rates due. In case of Walsall the local share is 49%. The remainder is distributed to preceptors and in the case of Walsall these are central government (50%) and West Midlands Fire and Rescue Service (WMFS) (1%).

When the scheme was introduced, central government set a baseline level 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 2016/17 to the value of £33.421 million (£33.145 million in 2015/16).

In addition to the top up, a 'safety net' is calculated at 7.5% of the baseline amount. This safety net is in place to protect local authorities against losses in collection, i.e. where actual collectable rates due are below 92.5% of the baseline amount, the safety net applies to ensure that authorities levels of income are not adversely impacted by more than 7.5%, and central government will fund Walsall up to the safety net amount. Walsall's share of the 7.5% would be 3.675%, however Walsall did not trigger or receive any safety net payments.

The council did not qualify for a safety net payment for 2016/17, as the total income from business rate payers billed in 2016/17 was £69.166 million, (£66.753 million in 2015/16).

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 and hence business rates outstanding as at 31 March 2017. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion to the precepting shares. A review of the provision in 2016/17 has resulted in a reduction in the appeals provision of £2.206 million.

For 2016/17, the total non-domestic rateable value at the year end is £174.984 million (£174.972 million in 2015/16). The national multipliers for 2016/17 were 48.0p for qualifying small businesses, and the standard multiplier being 49.7p for all other businesses (48.0p and 49.3p respectively in 2015/16).

4. Council Tax / NDR Bad Debt Provision and NDR provision for valuation appeals

The collection fund account provides for bad debts on council tax arrears.

2015/16				2016/17		
Walsall £m	Preceptors £m	Total £m		Walsall £m	Preceptors £m	Total £m
(8.822)	(0.901)	(9.723)	Balance at 1 April	(10.031)	(1.126)	(11.157)
(0.078)	(0.008)	(0.086)	Write offs during year for previous years	(0.073)	(0.090)	(0.163)
(1.131)	(0.217)	(1.348)	Contributions to provisions during year	4.123	0.554	4.677
(1.209)	(0.225)	(1.434)	Net (Increase) / Decrease in Provision	4.050	0.464	4.514
(10.031)	(1.126)	(11.157)	Balance at 31 March	(5.981)	(0.662)	(6.643)

The collection fund account also provides for bad debts on NDR arrears.

2015/16				2016/17		
Walsall £m	Preceptors £m	Total £m		Walsall £m	Preceptors £m	Total £m
(1.440)	(1.500)	(2.940)	Balance at 1 April	(1.545)	(1.608)	(3.153)
(0.343)	(0.357)	(0.700)	Write offs during year for previous years	(0.178)	(0.186)	(0.364)
0.108	(0.108)	0.000	Allocate Preceptors share of BDP	0.219	(0.219)	0.000
0.130	0.357	0.487	Contributions to provisions during year	(0.252)	0.185	(0.067)
(0.105)	(0.108)	(0.213)	Net (Increase) / Decrease in Provision	(0.211)	(0.220)	(0.431)
(1.545)	(1.608)	(3.153)	Balance at 31 March	(1.756)	(1.828)	(3.584)

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 2017 require a provision to be set aside in the collection fund account.

Walsall's share of this provision, £2.604 million, is shown in note 37 page 99.

2015/16				2016/17		
Walsall £m	Preceptors £m	Total £m		Walsall £m	Preceptors £m	Total £m
(3.030)	(3.154)	(6.184)	Balance at 1 April	(3.685)	(3.836)	(7.521)
(0.655)	(0.682)	(1.337)	Contributions to provisions during year	1.081	1.125	2.206
(0.655)	(0.682)	(1.337)	Net (Increase) / Decrease in Provision	1.081	1.125	2.206
(3.685)	(3.836)	(7.521)	Balance at 31 March	(2.604)	(2.711)	(5.315)

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 (2015/16 £580).
- John Leckie Memorial Fund – for the provision of scholarships. Current fund balance £29,714 (2015/16 £29,405).
- Walsall Agricultural Fund – for the provision of a prize fund. Current fund balance £774 (2015/16 £769).

The movement in fund balances is due to interest received on the fund balances during the year.

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 2016/17 the balance of residents' monies held was £2.047 million (£1.599 million in 2015/16).

Section B – Annual Governance Statement

Annual Governance Statement

- 1. Scope of responsibility**
- 2. The purpose of the Governance Framework**
- 3. The Governance Framework**
- 4. Review of Effectiveness**
- 5. Significant Governance Issues**

Glossary

A

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

Bad (and doubtful) debts: Debts which may be uneconomic to collect or unenforceable.

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.

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.

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 is 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 asset's 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.

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

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

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.

Supported Borrowing: The level of borrowing that the council receives funding for from central

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.

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