Agenda Item No. 8

Audit Committee – 24 September 2014

Post – Audit Statement of Accounts 2013/14

Summary of report

This report presents the audited Statement of Accounts along with a summary of these, the council's letter of representation, which the council is required to provide to Grant Thornton, and is signed by the Chief Financial Officer and Chief Executive.

Grant Thornton's report on the authority's accounts is also attached.

Recommendations

Audit Committee are requested to:

1. Receive the audit findings report from Grant Thornton on their audit of the 2013/14 statement of accounts and consider the key messages (Appendix 1) and note that there have been agreed amendments made to the accounts during the audit.
2. Note, consider and endorse the letter of representation attached (Appendix 2).
3. Note and approve the post-audit statement of accounts for 2013/14 (Appendix 3).
4. Note the summary of accounts (Appendix 4).
5. Approve the Chair of the Committee to sign and date the accounts as required under the Accounts and Audit (England) Regulations 2011.
6. Authorise the Chief Financial Officer (CFO) to distribute copies of the audited statement of accounts to partners and stakeholders alongside the Annual Governance Statement 2013/14.

James Walsh
Chief Financial Officer

10 September 2014

Governance

Councils must produce annual accounts in line with the Accounts and Audit (England) Regulations 2011. In addition, the act requires that the Chief Financial Officer and Chief Executive make accurate representations to their auditor in respect of the fair presentation of the accounts. The Committee is asked to approve the letter of representation attached (Appendix 2). The regulations require the statement of accounts to be considered and approved by the appropriate Committee of the council.

Resource and Legal Considerations

As at 31.03.2014 the post-audit statement of accounts show general fund services, (including earmarked reserves) to have an overall deficit for the year of £1.747m. This results in net general reserves of £14.865m.

The audit process did not identify any material adjustments affecting the council's accounts; however the audit findings report from Grant Thornton (Appendix 1) reflects a number of misclassification and disclosure amendments. Although none of these have an effect on general fund reserves the post-audit of statement of accounts (Appendix 3) have been updated to correct these misclassifications and disclosures as follows:

- The council's finance officers identified that a number of invoices had not been accrued for in relation to payroll services commissioned on behalf of cheque book schools. Both debtors and creditors were understated by £1.157m relating to invoices that are raised to the schools (debtors) for reimbursement of costs incurred by the council in relation to income tax and pensions to match the payments made to HMRC by the council on the schools behalf (creditors). The amendment to correct this can be seen on the balance sheet, notes 35 financial instruments, 38 debtors, 40 creditors and 45 the note to the cash flow statement. This change had no impact on the general fund.
- Certification fees, as disclosed in note 18, have been updated following receipt of the actual charge from Grant Thornton. Within the draft statement of accounts certification fees were included as £0.025m and have been updated to £0.019m. This change had no impact on the general fund.
- The charge to net cost of services for equal pay claims in note 9 - material items of income and expense was incorrectly disclosed as £0.413m where under provisions in note 41 states £0.328m. Note 9 has been updated to reflect this error. The change had no impact on the general fund.
- Under 'Sources of Finance' within note 31 the 'Government Grants and Contributions' figure had been understated by £0.721m. It was disclosed as £24.869m where the working papers stated £25.590m. The difference was due to capital works costs being correctly accrued for and shown within the working paper, however the funding within this table was not updated to match the expenditure. This change had no impact on the general fund.
- The second table on page 55 showing the proportion of assets held by type for the Local Government Pension Scheme incorrectly disclosed the 2012/13 numbers under the 2013/14 heading and vice versa. This has been corrected and further detail added to aid clarity. This change had no impact on the general fund.

All of the adjustments listed above have been highlighted in grey on the relevant page to ensure changes from the draft statement of accounts are clearly visible.

The audit findings report also notes one item that has not been updated. This relates to the valuation of the council's investment in Birmingham Airport. The valuation was received after the draft statement of accounts was submitted to audit, and resulted in a immaterial change to the value of the carrying amount of £0.115m. As both the council and Grant Thornton agree that the change in valuation is immaterial no adjustment has been made.

There were also a number of other minor changes and disclosures which have not been highlighted within the audit findings report from Grant Thornton, however these were all insignificant and had no impact on the level of reserves.

Judgements made within the accounts

In applying the accounting policies set out within the statement of accounts the council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

There is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that it does not yet have sufficient detail to provide an indication that its assets 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.

The council has to determine whether the leases that it uses are finance or operating leases. In doing so it utilises five recognition criteria as set out in International Accounting Standard 17 – Leases. These are:

1. the lease transfers ownership of the asset to the lessee by the end of the lease term;
2. the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
3. the lease term is for the major part of the economic life of the asset even if the title is not transferred;
4. at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leases asset; and
5. the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

If two of these criteria are met then the lease would normally be classified as a finance lease.

The council also has to decide whether to apply componentisation for property, plant and equipment. This involved an assessment of each identified component 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 in question represented a significant element of the whole asset. The council has determined that there are no components to disclose in 2013/14.

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, and applies an inflation rate, obtained from the quarterly BCIS "General Cost Indices", to reflect change in prices.

Changes to accounting policies

As reported to Audit Committee in April 2014 there have been a number of amendments to the councils accounting policies.

Firstly a clarification was included for accounting for non current assets in response to an internal audit report concerning capitalising costs. The following sentence was added:

'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.'

This clarification ensures there is a consistent approach when capitalising costs and that both revenue and capital resources are maximised.

Secondly following an update to International Accounting Standard 19 (IAS19) the accounting requirements for defined benefit pension liabilities have been amended. The main changes are a reallocation of amounts charged in the comprehensive income and expenditure statement (CIES) and the introduction of some additional disclosures, although these changes have no overall impact on the council's General Fund and the amount payable by local tax payers. This change in policy has been applied retrospectively and therefore 2012/13 comparatives to the accounts have been amended. The change incorporates a number of presentational changes to the way income and expenditure for the pension fund is shown within the CIES.

Identifying key trends

<u>Balance Sheet Performance</u>
Financial indicators are used to identify key trends and highlight the current financial health of the authority. These indicators are also referred to as ratio analysis.

The position of current assets to current liabilities is an important indicator that effectively identifies the ratio of assets that could quickly be converted to cash in order to cover current liabilities. It is generally accepted that a ratio of 2:1 is the minimum an organisation should seek to achieve, however this can change depending on the sector the business operates in, but this level would normally indicate good cash flow performance and financial health.

The council's ratio for 2013/14 is 2.80:1, which is a slight increase from 2.70:1 achieved in 2012/13. Direct comparison between authorities is not necessarily an indication of strong or poor performance as councils will have made different decisions regarding their financial strategy, however in comparison to other local authorities within Walsall's statistical neighbour group the level of this ratio is typical.

Another important ratio in understanding underlying trends in financial health is the comparison between long term assets and long term borrowing. This seeks to highlight the relationship between the borrowing used to purchase the councils property, plant, and equipment, which are then used to deliver the services of the council over a number of years.

A ratio of 1:1 would be the minimum that would be expected, and would indicate that the Council is receiving a benefit from the assets it has purchased that is in line with, or greater than, the repayment of borrowing incurred to fund those assets.

Walsall's achieved a ratio of 1.87:1 for 2013/14, which is a slight increase from 1.84:1 achieved in 2012/13. This indicates a healthy relationship between long term assets and borrowing, indicating that the council is still receiving the benefit of assets that it has purchased where there is no longer any associated borrowing.

Plant, property and equipment – note 24
The Net Book Value (NBV) of property, plant and equipment has reduced from £440.655m in 2011/12 and £424.877m in 2012/13 to £412.815m in 2013/14. This is partly as a result of a number of schools transferring to Academy status which has reduced the NBV of the council's assets by £9.038m in 2013/14 and £34.468m in 2012/13, therefore £43.506m in total over this period. Despite an increase in property values and continued capital spend the effect of schools obtaining Academy status has decreased the asset base of the council.

Looking forward

The going concern assumption is a fundamental principle in preparing financial statements. Under this principle, Walsall MBC is deemed to be a going concern for the foreseeable future. The statutory duties undertaken by the council and the method in which funding is raised and provided by central Government are set to continue.

There is no intention to cease trading or seek protection from creditors.

In addition to this the council has a Medium Term Financial Strategy (MTFS) which is regularly reviewed with the medium term financial outlook updated to reflect the forecast financial position of the council going forward.

Variance analysis

There have been a number of material changes to the funding received by the council during 2013/14 which were implemented nationally by central Government.

Note 20 to the statement of accounts provides an overview of the grant income that the council receives. The major changes seen during 2013/14 were:

Revenue Support Grant (RSG) £98.171m - now includes funding for numerous items such as the Council Tax Reduction Scheme and the Early Intervention Grant where previously these were individually identifiable grants.

A number of new grants were received during 2013/14 such as the Public Health Grant £14.984m, National Non Domestic Rates (NNDR) Top Up £31.902m and Section 75 Clinical Commissioning Grant £16.815m.

In 2013/14, the administration of NNDR 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 to the authority due to volatility and potential non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. In Walsall's case the local share is 49%. The remainder is distributed to preceptors, these being central Government (50%) and West Midlands Fire Service (WMFS) (1%).

As a result the council now received a Top up Grant to the value of £31.902m whereas previously income was received from the NNDR Pool.

Performance management and risk management issues

The 2013/14 outturn provides a sound, stable financial foundation to affect service delivery and continue to drive service improvement. As part of the council's performance management system, managers are set many targets, one of which is to deliver their service targets within the cash limited budget. This has been demonstrated overall in 2013/14, although some services did overspend.

The audit findings report at Appendix 1 has identified minor improvements to the process of producing the annual statement of accounts. It is anticipated that Grant Thornton will address the Committee on the key issues contained in their report.

Equality implications

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

Consultation

The report is prepared in consultation with various managers.

Background Papers

Various financial working papers, statutory and other guidance.

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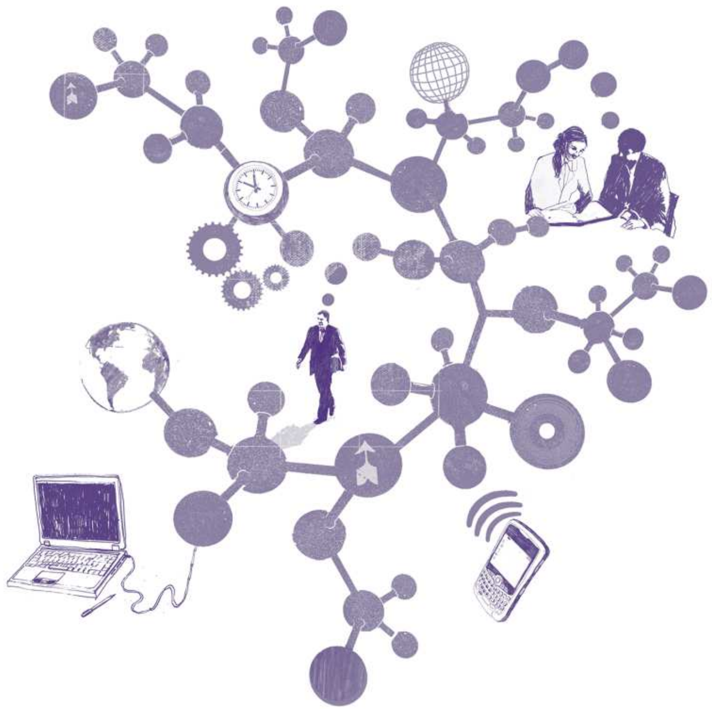
The Audit Findings Report for Walsall Metropolitan Borough Council

Year ended 31 March 2014

24 September 2014



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section 1: Executive summary

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Walsall Metropolitan Borough Council's ('the Council') financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 16 July 2014 at Audit Committee.

Our audit is substantially complete although we are finalising our work in the following areas:

- completion of our work on the payroll control account reconciliation, earmarked reserves and going concern
- review of the final version of the financial statements
- reviewing the content of the letter from Eversheds in response to our Equal pay queries
- obtaining and reviewing the final management letter of representation
- review of the final Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion, and
- completion of Whole of Government Accounts work

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We have identified no adjustments affecting the Council's reported financial position (details are recorded in section 2 of this report). The draft financial statements recorded net expenditure of £58.326m; the audited financial statements show net expenditure of £58.326m. We have identified a number of adjustments to improve the presentation of the financial statements.

Further details are set out in section 2 of this report and, particularly in the pages, 'Misclassifications & disclosure changes'.

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in our separate report, *Report on Value for Money for Walsall Metropolitan Borough Council*, being presented to Audit Committee on 24 September 2014.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

We draw your attention in particular to one control issue identified during the course of the audit in relation to significantly aged creditor invoices.

Further details are provided within section 2 of this report.

The way forward

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Assistant Director of Finance (CFO) and Head of Finance.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Assistant Director of Finance (CFO) and the finance team.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit. Overall, we are pleased to report that the Council Finance Team has continued to operate to high standards of performance in financial reporting.

Grant Thornton UK LLP
September 2014

Section 2: Audit findings

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 16 July 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 16 July 2014.

Audit opinion

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out at Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**Improper revenue recognition** Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	• Review and testing of revenue recognition policies • Testing of material revenue streams	Our audit work has not identified any issues in respect of revenue recognition.
2.	**Management override of controls** Under ISA 240 there is a presumed risk of management over-ride of controls	• Review of accounting estimates, judgements and decisions made by management • Testing of journal entries • Review of unusual significant transactions	Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgments.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertook walkthrough tests in relation to the completeness assertion to assess the whether those controls are designed effectively • tested key controls in relation to the completeness assertion • performed tests of detail on the operating expenses included in the financial statements	Our audit work has not identified any significant issues in relation to the risk identified. We did however, identify one control issue, in relation to significantly aged creditors invoices. This is discussed further on page 18.
Employee remuneration	Employee remuneration accrual understated	We have undertaken the following work in relation to this risk: • documented our understanding of the processes and key controls over the transaction cycle • undertook walkthrough tests in relation to the completeness assertion • conducted tests of detail on the employee remuneration accrual and tax obligation • tested a sample of employee remuneration expenditure throughout the year • agreed employee remuneration disclosures in the financial statements to supporting evidence	Our audit work to date, has not identified any significant issues in relation to the risk identified, though at the time of writing we are completing our work on the payroll control account reconciliation.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare expenditure	Welfare benefit expenditure improperly computed	We have undertaken the following work in relation to this risk: • documented our understanding of the processes and key controls over the transaction cycle • undertook walkthrough tests in relation to the valuation – gross assertion • conducted tests of detail on the final Housing Benefit Claim using the HBCOUNT methodology • Reviewed accounting treatment following the replacement of council tax benefit from April 2013 by localised support for council tax, to ensure that it has followed SeRCOP requirements	Our audit work has not identified any significant issues in relation to the risk identified.
Property, plant & equipment	PPE activity not valid	We have undertaken the following work in relation to this risk: • documented our understanding of the processes and key controls over the transaction cycle • undertook walkthrough tests in relation to the valuation – gross assertion • performed tests of detail on the value of Property, Plant and Equipment disclosed within the financial statements as follows: - sample tested additions and disposals to supporting documentation - reviewed performance against the capital plan for the year and obtained explanations for any significant variations - reviewed the treatment of non-enhancing capital expenditure recorded in the accounts - tested a sample of items charged as REFCUS (Revenue Expenditure Funded from Capital under Statute) expenditure in year - reviewed the accounting policies applied to PPE, particularly in respect of valuations, to ensure that the clarifications in this year's Code have been complied with	Our audit work has not identified any significant issues in relation to the risk identified. Our consideration of the Council's accounting policies as they apply to revaluation are discussed further on page 14.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Investments (long & short term) – Financial Instruments	Fair value measurements not correct	We have undertaken the following work in relation to this risk: • documented our understanding of the processes and key controls over the transaction cycle • undertook walkthrough tests in relation to the valuation – gross assertion • Reviewed the valuation method applied to the Council's shareholding in Birmingham Airport	Our audit work has not identified any significant issues in relation to the risk identified. Grant Thornton valuation specialists have reviewed the methodology applied by Solihull Metropolitan Borough Council to the consortia's shareholding in Birmingham Airport. The valuation as at 31 March 2014 has led to an immaterial change in the carrying amount of the investment of £115k. Because the change in valuation is immaterial no adjustment has been made, which is considered reasonable. In addition, because the change in valuation is considered 'trivial' in terms of our reporting threshold, it does not feature as an unadjusted misstatement in this report. Had the adjustment been made it would not have impacted on the Council's income and expenditure position.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• Fees, charges and rents are accounted for as income at the date the council provides the relevant goods of service • Interest receivable on investments is accounted for on the basis of the effective interest rate of the financial instrument rather than the cash flows fixed or determined by the contract • Where income has been recognised but cash has not been received, a debtor for the relevant amount is recorded in the balance sheet • Income is credited to the surplus or deficit on provision of services unless it represents capital receipts	We have considered the: • Appropriateness of the Council's policies under International Financial Reporting Standards, as adopted through the Code of Practice on Local Authority Accounting for 2013/14 • Adequacy of disclosure of accounting policy Our review has not highlighted any issues which we wish to bring to your attention.	● Green
Judgements and estimates	• Key estimates and judgements include: – useful life of capital equipment – pension fund valuations and settlements – revaluations – impairments – provisions – accounting for schools	We have considered the: • Appropriateness of the Council's policies under International Financial Reporting Standards, as adopted through the Code of Practice on Local Authority Accounting for 2013/14 • Extent of judgement involved • Potential financial statement impact of different assumptions • Adequacy of disclosure of accounting policy • Our review has not highlighted any issues which we wish to bring to your attention.	● Green

Assessment

● Marginal accounting policy which could potentially attract attention from regulators
● Accounting policy appropriate but scope for improved disclosure
● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates - PPE	• Assets carried at fair value are revalued when there have been material changes in the value of every five years whichever is sooner.	• The Council has revalued 81% of its Operational Land, Buildings and Surplus Assets, the gross book value of which, totals £272.233m. • The remaining 19% were determined via desktop review by internal valuers examining the list of assets not valued, determining whether there had been any significant changes in circumstances that warrant a valuation, consideration of market factors: demand for property/ land, review of trends in value, use of market reports, and review of sales and lettings of comparable assets. • On this basis it was concluded that the carrying value of these assets is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. • We are satisfied by the approach taken by the Council	● Green
Other accounting policies	• We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	• Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	● Green

Assessment

● Marginal accounting policy which could potentially attract attention from regulators
● Accounting policy appropriate but scope for improved disclosure
● Accounting policy appropriate and disclosures sufficient

Adjusted misstatements

We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management.

Impact of adjusted misstatements

There were no adjusted misstatements that had an impact on the total net expenditure of the Council. A number of adjustments to the draft financial statements have been identified during the audit process, in relation to Misclassification & Disclosures. These are discussed further on page 16.

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Misclassification	1,157	Debtors and Creditors	Both Debtors and Creditors balances have been restated in order to account for payroll expenditure incurred by the Council on behalf of those schools it provides payroll services to, (creditors), and the corresponding bills raised for the schools to reimburse the Council, (debtors). **No impact on the Council's net expenditure position.**
2	Disclosure	6	External Audit Costs	The fees incurred for the certification of grant claims and returns in Note 18 during 2013/14 has been amended from £25k to £19k to reflect what has actually been charged. **No impact on the Council's net expenditure position.**
3	Disclosure	127	Material Items of Income and Expenditure inconsistency	Note 9 has been amended in respect of the Net Cost of Services for Equal Pay Claims from £413k to £328k, in order that it is consistent with Note 41 Provisions, which shows the correct figure. **No impact on the Council's net expenditure position.**
4	Disclosure	721	Capital Financing	The Government Grants and Contributions figure in Note 31 has been amended from £24,869k to £25,590k to be in line with supporting documentation. **No impact on the Council's net expenditure position.**
5	Disclosure	-	Pensions	The figures showing the Local Government Pension Scheme's assets apportioned to various categories were transposed incorrectly, with the 2012/13 figures being shown as 2013/14 and vice versa. **No impact on the Council's net expenditure position.**

Unadjusted misstatements

There were no unadjusted misstatements identified in the course of our audit of the Council's financial statements.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

This, together with management responses, is included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
2.	●	During our creditors testing we identified invoices and credit notes over a year old, the oldest of which dates back to November 2003. These total £140,550, and therefore the value is not considered to be significant but it would be best practice for these transactions to be either paid on a more timely basis or cleared out if they are no longer relevant.	• We recommend that the Council reviews the old invoices and credit notes to determine if they still require to be paid, or can be removed from the system.

Assessment

● Significant deficiency – risk of significant misstatement

● Deficiency – risk of inconsequential misstatement

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit Committee and have not been made aware of any matters relating to fraud. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit
2.	**Matters in relation to laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.

3.	**Written representations**	• A modified letter of representation has been requested from the Council.
		• In particular, representations will be requested from management in respect of:
		  • the assumptions used in making accounting estimates for equal pay, and
		  • to confirm that the Heritage Assets purchased with funds from Arts Fund International, which are jointly owned with Birmingham City Council, are currently being held by Birmingham City Council.

4.	**Disclosures**	• Our review found no material omissions in the financial statements. Those disclosures which have been adjusted are listed within that table at 'Misclassifications & disclosure changes'.
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed.
6.	**Going concern**	• Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code. These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Over overall conclusions in respect of both securing financial resilience, and challenging economy, efficiency and effectiveness is consistent with prior years in that whilst the Council faces some significant challenges during 2014/15 and beyond, its current arrangements for achieving financial resilience are adequate.

Further detail is available in our separate report, *Report on Value for Money for Walsall Metropolitan Borough Council.*

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014

Governance

The Council disclosed under Section 5 of its Annual Governance Statement in 2012/13, that a number of significant governance issues had occurred during 2011/12 and 2012/13:

- Internal Audit investigation into irregularities concerning recruitment and selection; procurement; and pay and grading practices within human resources.

Value for Money

- Allegations (including whistleblowing) were received from different sources in respect of procurement practices, the management of appointeeships and systems to implement personalisation within social care and inclusion. Work undertaken in respect of this is now subject to an external review by Bevan Brittan, which at the time of writing, is yet to report on its findings.
- OFSTED undertook an inspection of Safeguarding and Looked after Children Services in June 2012 and concluded that safeguarding services and aspects of safeguarding outcomes for children and young people were inadequate.

These issues had been identified and were being addressed by the Council and therefore did not warrant qualification of the 2012/13 Value for Money conclusion under the Commission's two specified criteria. In addition, as the matters were being progressed by the Council in 2013/14 we were able to certify our 2012/13 audit as complete.

However, we considered that the importance of establishing a greater corporate 'compliance culture' for the Council's internal controls and governance arrangements was of sufficient priority that we needed to make a formal recommendation as part of our 2013/14 audit, under section 11(3) of the Audit Commission Act 1998. This recommendation was as follows:

Recommendation under section 11(3) of the Audit Commission Act 1998
The Council should:
- review existing governance processes and procedures to provide assurance that the existing governance framework is fit for purpose
- Investigate how governance is applied across the Council, to ensure that expected ethical standards are reinforced and that a culture of compliance is embedded throughout the organisation.

As at the time of making our recommendation in November 2013, the Council had already established a 'Governance Forum' to take forward these issues and had therefore already acknowledged the need to improve arrangements regarding its governance.

To support this work in 2013/14, Internal Audit have performed a review of Corporate Governance, the result of which is significant (borderline) assurance.

We were commissioned separately by the Council to undertake a governance review to provide independent challenge to the work of the Governance Forum.

This report is being presented separately to the Audit Committee on 24 September 2014, but summary conclusions are as follows:

- The Council has recognised the importance of the governance agenda and made good progress in reviewing its systems and procedures
- A key observation from the work was that it is not just the systems and procedures of governance that need to be effective but also (and arguably more importantly) the attitudes and behaviours of the workforce.
- Therefore continued strong leadership from officers and members will be required in order that the necessary cultural understanding, engagement and compliance is secured.

We are therefore satisfied with the progress behind made by the Council in addressing the statutory recommendation made in our 2012/13 Annual Audit Letter.

Section 4: Fees, non audit services and independence

Fees, non audit services and independence

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	189,000	189,000
Grant certification	18,782	18,782
Fee variation – business rates*	0	1,470
Total audit fees	**207,782**	**209,252**

* The Audit Commission has approved a fee variation for the additional work we have undertaken on business rates as part of our financial statements opinion, given that we are no longer required to certify the LA01/NDR3 claim. The Commission has confirmed revised figures of £1,470 for metropolitan borough councils, which equates to approximately 50% of the average fee previously charged for NDR3 certifications at metropolitan borough councils.

Fees for other services

Service	Fees £
Governance Review	18,000
VAT Review	5,000

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority
Significant deficiency – risk of significant misstatement
Deficiency - risk of inconsequential misstatement

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1.	During our creditors testing we identified invoices and credit notes over a year old, the oldest of which dates back to November 2003. These total £140,550, and therefore the value is not considered to be significant but it would be best practice for these transactions to be either paid on a more timely basis or cleared out if they are no longer relevant. We recommend that the Council review the old invoices and credit notes to determine if they still require to be paid, or can be removed from the system.	Deficiency	The Council has reviewed the invoices and determine these relate to some pre-2013 invoices subject to a credit note, which have not been cleared. Cash has been received already totalling £42,663 and a further £72,159 (3 invoices) is in the recovery stage and will be deducted from the next invoice due. 1 credit note of £6,703 is affected by a company merger so we are currently in discussions concerning this. Of the remaining items, these value £20,883 and will be cleared as part of the planned Oracle upgrade. A revised process to manage credit notes was implemented in 2013 therefore all 2013 and onwards credit notes will be subject to this new improved process.	Part completed. The remaining £20,883 will be cleared as part of the Oracle upgrade. Responsible Officer: Treasury, Financial Administration and Systems Manager

Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WALSALL METROPOLITAN BOROUGH COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Walsall Metropolitan Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Walsall Metropolitan Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Walsall Metropolitan Borough Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Walsall Metropolitan Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of Walsall Metropolitan Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

[Signature]

Jon D Roberts
Partner for and on behalf of Grant Thornton UK LLP, Appointed Auditor

[Date]

grant-thornton.co.uk

Walsall Council

Your Ref:	
Our Ref:	
Date:	24 September 2014
Please Ask For:	Richard Walley
Direct Line:	(01922) 650708

Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

Dear Sirs

Walsall Metropolitan Borough Council

Financial Statements for the year ended 31 March 2014

This representation letter is provided in connection with the audit of the financial statements of Walsall Metropolitan Borough Council for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.

ii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.

iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vi We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.

vii Except as stated in the financial statements:

a. there are no unrecorded liabilities, actual or contingent

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

viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for.

ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

x All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

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

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

xiv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements. Adequate provisions have been made to account for expected liabilities in relation to the settlement and/or payment of equal pay claims. The provision has been estimated based on our best professional judgement and after obtaining legal advice and opinion. Our legal advisors confirm our estimates are appropriate and reasonable.

Information Provided

xv We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

xvi We have communicated to you all deficiencies in internal control of which management is aware.

xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.

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

xix We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

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

xx We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

xxiv We confirm that we jointly hold heritage assets, purchased with Art Funding International funds, with Birmingham City Council and these assets are currently held by Birmingham City Council and are being shown at Birmingham Museum and Art Gallery. The total value of these assets is £804,397.

Annual Governance Statement

xxv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 24 September 2014.

Signed on behalf of the Board

Name……………………………

Position…………………………

Date……………………………

Name……………………………

Position…………………………

Date……………………………

Walsall Council

Financial Report for 2013/14

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

Contents

Explanatory foreword

1. Introduction

These accounts set out the financial results of Walsall Council's activities for the year ending 31 March 2014. The council manages its affairs to ensure the economic, efficient and effective use of resources and to safeguard its assets. This is vital if the council is to continue to play a leading role in the life of Walsall's residents and provide high quality services for their benefit. The task is shared by all members and officers under the leadership of the Coalition 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 and give an overview of the council's financial performance.

2. Reporting requirements for the 2013/14 accounts

The reporting requirements for the 2013/14 accounts remain broadly the same as those for the 2012/13 accounts with the exception of:

The introduction of changes made under the Business Rates Retention Scheme which came into effect from 1 April 2013.

The aim of the scheme was to provide a direct link between business rates growth and the amount of money councils have to spend for local people and local businesses. Councils are able to keep a proportion (49% for Walsall) of the business rates revenue as well as growth on the revenue that is generated. However the downside of this incentive to create growth is that the council is also liable for its share of unpaid debts and appeals lodged by businesses in relation to their business rates charge.

Further information can be found on page 110.

A further reporting change has been made to reflect the white paper 'Healthy Lives, Healthy People' published in November 2010. This transferred public health functions from primary care trusts to the council creating a new public health agency.

Additionally following amendments to International Accounting Standard 19 (IAS19) Post Employment Benefits - there are a number of classification, recognition, measurement and disclosure adjustments that required prior year comparatives to be restated. The net effect of these on the general fund balance is nil, however individual notes will show variances to those figures published in 2012/13. Relevant tables will be indicated by a 'restated 2012/13' heading. This is in accordance with IAS8 Accounting Policies, Changes in Accounting Estimates and Errors.

There have been no significant changes to accounting policies during the year.

3. Explanation of the statements

Core financial statements:

Comprehensive Income and Expenditure Account (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.

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 comprehensive income and expenditure statement and regulatory movements required for council tax purposes. The reserves are analysed into usable reserves (those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.

Balance sheet

The balance sheet shows the value of the assets and liabilities recognised by the council as at 31 March 2014. 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 national non domestic rates (NNDR) 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.

4. An overview of the council's financial performance in 2013/14

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

In October 2010 the comprehensive spending review was announced for 2011/12 to 2014/15. This detailed a reduction in overall local government funding of 29% over the four-year period. This reduction was frontloaded and resulted in a significant real terms decrease in funding. For 2013/14 a number of government grants rolled into general funding totalling £44.6 million which had the effect of appearing to increase general funding over 2012/13 but was in real terms a reduction of 8.3% (£10.7 million) prior to changes in grant funding.

During 2013/14 the council received £667.119 million in income. After including non cash items such as depreciation, impairments and statutory pension adjustments it cost the council £694.179 million to provide its services.

The net cost of services within the CIES shows that gross expenditure has reduced from £630.348 million in 2012/13 to £623.730 million in 2013/14. Gross income also reduced from £423.536 million in 2012/13 to £355.135 million in 2013/14. The reduction in both income and expenditure reflects reduced government funding, the transfer of some schools to academies and a reduction in other income areas, such as car parking.

Income on education and children's services has decreased by approximately £21 million in 2013/14 due to the cessation of Early Intervention Grant, which is now included with the council's Revenue Support Grant and a reduction in Dedicated School Grant paid to the council as a result of academy conversions in prior years.

Both expenditure and income on central services to the public have reduced by approximately £6 million due to changes introduced by the business rates retention scheme and NNDR charitable relief.

Expenditure on housing services has decreased by £27 million and income by £30 million due to the abolition nationally of the council tax benefit scheme being replaced by local council tax reduction schemes.

Adult Social Care income has decreased by approximately £12 million mainly due to a decrease in grants provided by Department of Health and NHS Walsall Clinical Commissioning Group.

Non-distributed costs, items which cannot be allocated directly to services, have increased by approximately £5m. This is due to a reduction in past service costs calculated by Mercer Ltd the actuary for the West Midlands Metropolitan Authorities Pension Fund.

Other operating expenditure includes levies payable by the council to other public bodies (£14 million) and the gain/loss received by the council on the disposal of council assets previously held on the balance sheet (£11 million).

The actuarial gain on the pension fund of approximately £74 million represents a significant improvement in the funding status of the pension fund following an actuarial loss in 2012/13 of £73 million. Part of the cause for this change in position is due to the triennial valuation of the pension scheme in 2013/14. The actuarial valuation reflects changing market conditions.

Overall the CIES shows a surplus of £58.326 million for the year. This surplus does not represent a real gain for the council but rather a position dictated by accounting regulations. These regulations also enable the council to remove costs which are not actual cash payments such as depreciation, otherwise council tax levels would need to be raised to cover such accounting costs. These adjustments can be seen in note 22, page 62.

In order to calculate the movement in general reserves, the surplus for the year, adjustments between accounting basis and funding basis under regulations (note 22) and the transfer to and from earmarked reserves are added to last year's closing balance on general reserves. As at 31 March 2014 general reserves are £14.865 million, compared to £16.612 million in 2012/13. Of these reserves £0.160 million is to be used in 2014/15 to assist in financing council expenditure. This planned use leaves £14.705 million available to the council. These movements can be seen within the movement in reserves statement on page 20.

The total net expenditure for services prior to statutory adjustments is shown within the CIES on page 19. This shows that there was a deficit of £27.060 million for 2013/14. After statutory adjustments, such as the removal of depreciation, impairments and entries in relation to pension costs are applied the council shows an overall deficit for the general fund of £1.747 million for the year. After taking into account the in-year planned use of general reserves of £0.349 million and a further £2.667 million allocated in year as approved by Cabinet, transfers of £1.977 million arising from a review and subsequent release of earmarked reserves, the net position for the council is an overspend of £0.710 million.

Figure 1 shows the sources of income received by the council within the CIES on page 19.

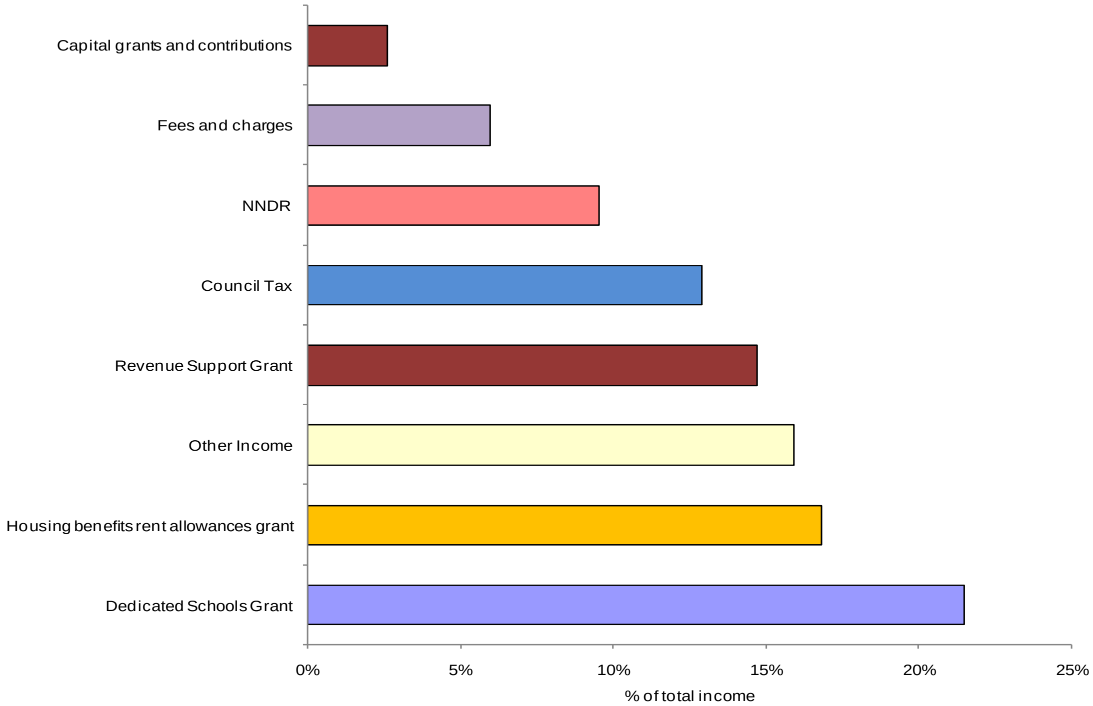


Figure 1 - Income sources shown in CIES during 2013/14

Figure 2 shows how the council's total expenditure within the CIES (page 19) is split between services. The category 'Other' includes central services to the public (£4.446 million), interest payable (£13.040 million), expenditure on trading undertakings (£11.860 million) and a net pension charge (£19.865 million).

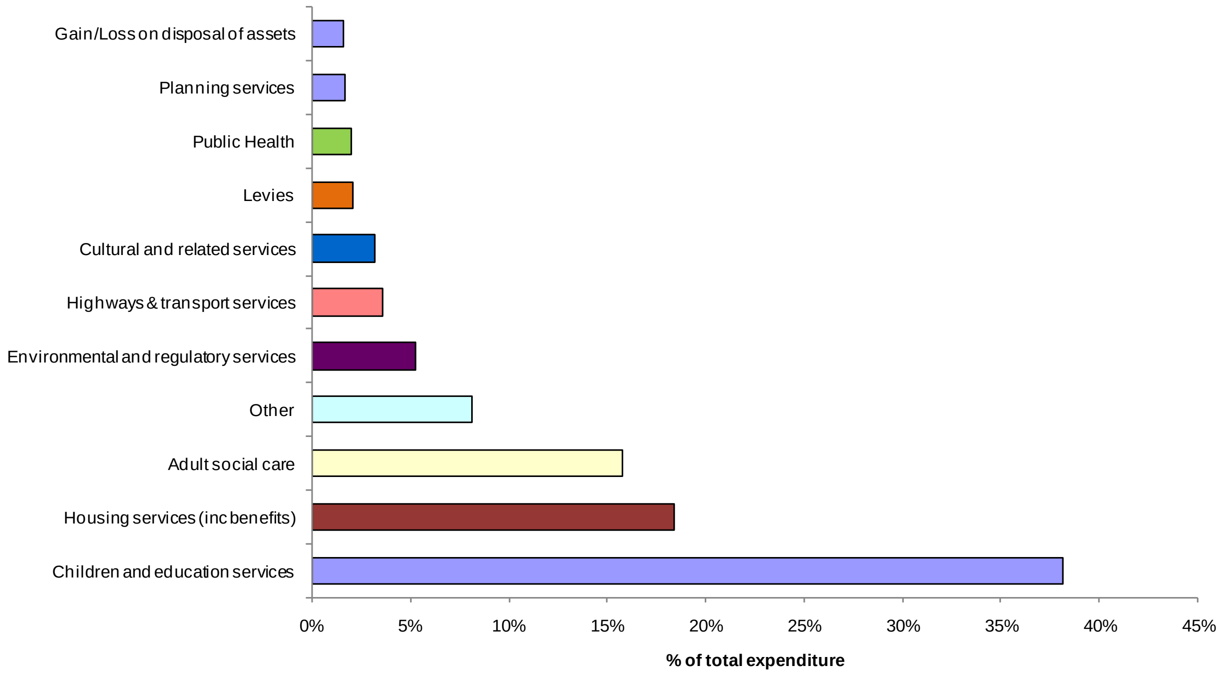


Figure 2 - Expenditure split during 2013/14 within CIES

Overall the council is in a sound financial position. The council has had to operate within an unstable and volatile national and local economy. This is despite pressures such as the economic downturn, a reduction in public sector funding, and significant cost pressures such as an ageing population, increasing numbers of adults with complex needs, increasing numbers of looked after children coming into care, and an ageing infrastructure. This financial performance was achieved without the need to increase council tax or supplement ongoing expenditure with one off reserves.

Major changes in statutory functions and planned developments

The Academies Act 2010 has already impacted, and will continue to have an effect on the number of schools that the local authority will be providing. At 31 March 2014 there were 29 academies in Walsall (including one 4-19) and a University Technical College. Further schools are in the process of potentially becoming an academy in 2014/15.

The 'Healthy Lives, Healthy People' white paper published on 30 November 2010 set out that responsibility for public health would transfer from Primary Care Trusts (PCTs) to Local Authorities and a new Public Health England agency. As such income and expenditure for Public Health is included within the net cost of services for the council for 2013/14.

Local support for council tax (previously council tax benefit) has been fully integrated into the council tax system, and the scheme will be part of the council tax setting process. From 2013/14 Walsall no longer reclaims all expenditure on council tax benefits from central Government but receives a fixed grant which was reduced nationally by around 12% for 2013/14. This new treatment will reduce the council tax base used to calculate the council tax for the borough. A knock on effect of this is the council not being able to generate the same level of additional funding through council tax increases compared to previous years. Walsall Council, West Midlands Police and West Midlands Fire will now share the risk of any increase in costs due to new clients and the effects of increases in council tax as the grant will remain fixed in future years.

The business rates retention scheme was introduced from April 2013. Previously all business rates income collected locally was given back to central Government and re-distributed based on the authorities calculated need via various formulae set by Government. Under the new scheme 49% of the local business rates are retained locally and Walsall received a "top up" grant from central government for any shortfall in funding against our needs basis. This will now see the authority bearing the risk of any reduction in income levels up to as much as 7.5% before any additional funding will be received from central Government. Further information can be found on page 112.

The Comprehensive Spending Review and subsequent local government settlement of autumn/winter 2010 has seen a considerable reduction in local government funding from central Government. Over the course of the 2010 Spending Review, local government funding will have reduced by 33% in real terms. A further real-terms cut of 10% is confirmed for most local government services for 2015/16. These reductions will continue with many experts both within and outside of Government suggesting that public expenditure will continue to reduce until 2020 at the same level. Many activities are in progress and the council is looking to meet the challenges using a 4 year approach. Examples include reducing the number of buildings where council staff are based and saving money through more modern working approaches. It is inevitable that the council will not be able to provide the same amount of services in the same way going forward.

The regeneration agenda, in reflecting the council's emphasis on economic growth and job creation, includes a number of priority work streams. From a development and investment perspective those priorities are concentrated on Walsall town centre and the Darlaston area of the Black Country Enterprise Zone, working with a number of partner agencies.

The town centre includes three key locations where investment is being directed:

- St Matthews Quarter where new retail development is being promoted in two separate schemes;
- Gigaport which will be the focus of new business development;
- Waterfront where the emphasis will be on leisure and service development.

The council has played an important role in supporting this investment both directly and in an enabling capacity as a major landowner. The council is preparing a new plan for the town centre which will reaffirm these priorities and identify a pipeline of new development opportunities.

The Enterprise Zone represents a major opportunity to deliver significant new employment development in a regionally strategic location. The aspiration is to create upwards of 2,000 new jobs on a series of sites that will benefit from a suite of incentives aimed at attracting development. Amongst those, the ability of the Local Enterprise Partnership to re-invest business rate income secured from the Zone to support investment is a key innovative business model. This will assist the delivery of the project which in turn will encourage the development of remaining sites.

The Black Country City deal, one of 20 second wave deals, is intended to provide a means of negotiation between Central Government and City regions, which will, once finalised devolve a set of freedoms and flexibilities enabling the respective cities to:

- Take charge and responsibility for decisions which affect their area,
- Do what they think is best to help business grow,
- Create Economic growth, and,
- Decide how public money should be spent.

As part of the wider Localism Agenda the City Deal negotiations in the Black Country focus on three key themes - Land and Infrastructure, Skills and Economic/Business support as a means to improve the Black Country's position as a High Value Manufacturing destination.

The goal therefore of the Black Country's City Deal is to capitalise on the opportunity presented by the recent and forecast growth in High Value Manufacturing (HVM) in the Black Country – particularly in the automotive and aerospace industries – to secure growth in the UK economy.

The Black Country City Deal will negotiate with Government to establish the means to:

- Invest in the assembly and remediation of the most suitable sites in order to meet proven current demand for sites and premises from HVM businesses;
- Improve our low skill base and address the challenge of an ageing workforce in order to meet the skill needs of new and expanding HVM businesses.

Capital expenditure

The council spent £39.944 million on capital expenditure in 2013/14. This expenditure was funded by grants and contributions of £24.869 million, borrowing of £9.798 million and other council resources of £5.277 million. The breakdown of capital expenditure (Note 31, page 78) is shown in Figure 3.

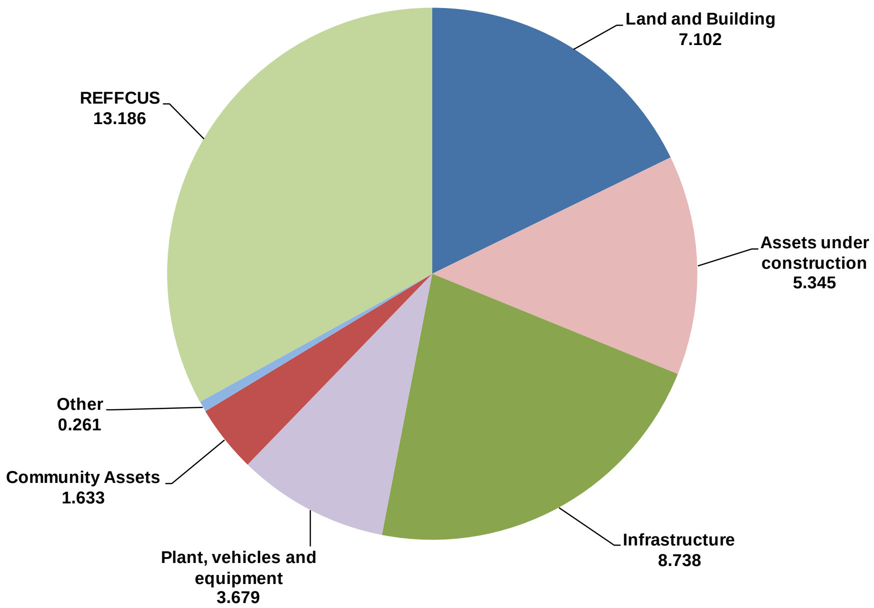


Figure 3 – Capital expenditure for 2013/14 (figures in £m).
REFFCUS = Revenue Expenditure Funded From Capital Under Statute

The major areas of capital expenditure were £7.102 million on land and buildings, £8.738 million on infrastructure and £13.186 million on revenue expenditure funded from capital under statute. This expenditure arises when capital expenditure is incurred on assets not owned by the council and which therefore cannot be added to the council's asset register and balance sheet. An example is grants made to owner occupiers of private houses to carry out improvements to improve energy efficiency and capital expenditure to voluntary aided schools in the borough. This expenditure is charged to revenue with a corresponding release from the capital adjustment account to ensure there is no impact on council tax.

The council has two Private Finance Initiatives (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 33 on page 82) 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 2014 Walsall Council's balance sheet (page 22) shows a negative net worth of £104.112 million. This is largely due to the net pension liability of £426.722 million. This liability is to be paid over many years and would not be due for payment immediately as the balance sheet suggests. In addition it is planned for the pension liability to decrease and achieve a breakeven position in 22 years and contribution rates have been set for the next 3 years on this premise. In addition, the revaluation of a proportion of the council's property portfolio and other non-current assets resulted in a net loss of approximately £1.388 million. Taking these into account the underlying balance sheet is sound.

The council's liquidity ratio, that is a measure by how much the council can cover its current liabilities by its current assets, is 2.80 slightly up from 2.70 in 2012/13. The council can cover its long-term borrowing by its long-term assets by 1.87, up from 1.84 in 2012/13. 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.

Balance sheet performance for the year has improved. This can be seen in a increase of £58.326 million in total net assets from a negative position (£162.438) million to negative (£104.112) million. However the majority of this change is due to a decrease in the net pension liability of £ 54.076 million. Excluding the total net pension liability of £426.722 million (£480.797 million in 2012/13) the council shows a net asset balance of £322.610 million. This combined with the above ratios for liquidity and assets over liabilities demonstrates a sound financial position.

Material and unusual changes to non-current assets

During 2013/14 the following schools transferred to academy status resulting in derecognition of non current assets totalling £9.038 million.

- Edgar Stammers Primary School £3.703 million
- Green Rock Primary School £2.336 million
- Birchills Primary School £2.999 million

Pensions

Walsall Council participates in the West Midlands Metropolitan Authorities Pension Fund which is administered by Wolverhampton City Council.

As at 31 March 2014 there is an actuary calculated shortfall for Walsall council of £426.722 million (£480.792 million at 31 March 2013) between the forecast cost of future pensions and the value of the assets currently held within the pension fund. The actuary calculated shortfall is a very volatile valuation, caused by fluctuations in the financial markets. The movement in the shortfall over the last five years, since the council has been required to account for pensions according to accounting standards, can be seen in Figure 4.

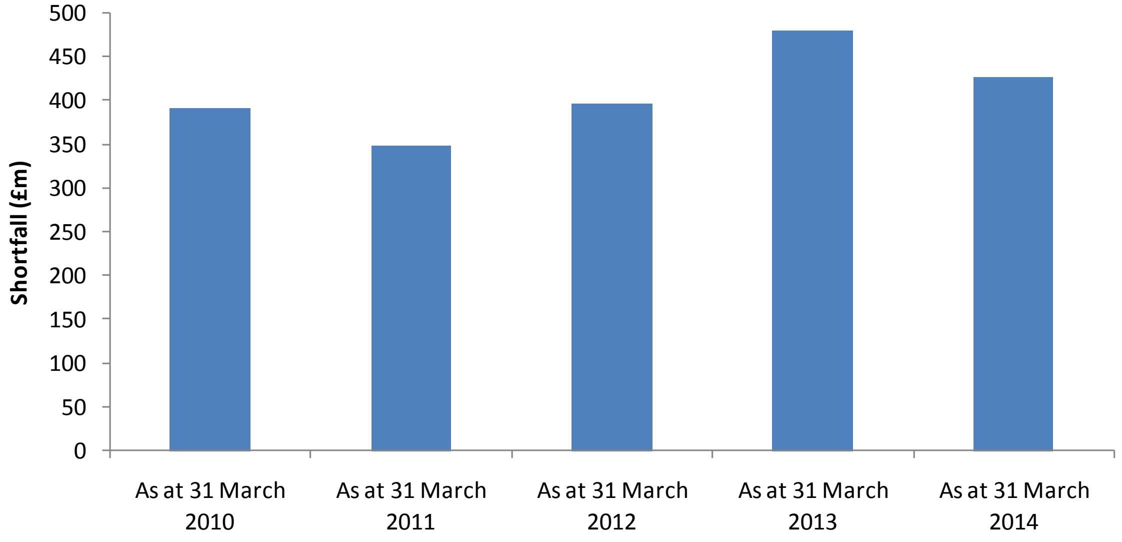


Figure 4 - Movement in pension fund deficit over last 5 years

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 2013/14 based on conditions at 31 March 2013. This was carried out by the scheme's actuary, Mercer Ltd. 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 for the following 3 years based on a requirement to bring the fund to a breakeven position over the next 22 years.

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 the audit committee.

The council ended 2013/14 with short term investments of £97.596 million (£120.702 million 2012/13). Use of these investments was required to cash flow those capital projects currently underway where completion is due beyond 31 March 2014.

The target investment rate receivable by the council for 2013/14 was 1.0% however as at 31 March 2014 the actual rate was 1.17%. When compared to current market conditions this rate shows the council continues to maximise investment income. In cash terms this means the council received £1.800 million (£3.977 million in 2012/13) of investment income. This is in addition to £4.470 million (£0.758 million in 2012/13) of dividend income from shares held in Birmingham Airport.

At 31 March 2014 the council's external long term borrowing was £255.283 million (£266.145 million as at 31 March 2013). The interest costs associated with this debt represent just 4.5% of the net budget requirement for the year, at an average interest rate of 4.6% (4.53% in 2012/13) compared against the target interest rate for the year of 4.52%.

Economic climate and its impact on Walsall Council

The current economic climate is one of reduced public funding as central government seeks to reduce the national deficit that it has seen as a result of the recent recession. This has seen a reduction in government funding to all parts of the public sector including Walsall Council, which has represented a significant challenge to the council as it attempts to ensure that the service provision the community require can be delivered, but at a lower cost.

Additionally the council has also had to respond to the changes to the benefits system through the implementation of the Welfare Reform Act 2012. Many benefits have been, and continue to be, changed or withdrawn and replaced by new systems. There are also complicated transitional arrangements as the reforms are phased in over the next few years, and uncertainty remains in some areas, specifically in relation to the introduction of Universal Credit.

Council tax benefit was replaced from April 2013 with council tax discounts. The council receives a grant to meet these costs however this is in fact reducing. This impacts on the councils ability to raise income through council tax and places more financial risk on the council.

To meet this challenge the council has put in place a number of initiatives to improve the customer experience, take out waste, and put control into the hands of the people delivering the service, with service redesign founded upon customer demand.

The forthcoming year is again one of increased financial constraints as a result of reduced funding. The council continues to work hard to improve efficiency and working practices, with many activities in progress to meet the financial challenges that it will encounter over the next 4 years. However, it is inevitable that the council will not be able to provide the same level of services in the same way going forward.

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.
- 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/LASAAC 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 2014.

James T. Walsh B.Hum (Hons) ACMA CGMA
Chief Financial Officer
24 September 2014

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WALSALL METROPOLITAN BOROUGH COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Walsall Metropolitan Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Walsall Metropolitan Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Walsall Metropolitan Borough Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects

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

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Walsall Metropolitan Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of Walsall Metropolitan Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

[Signature]

Jon D Roberts
Partner for and on behalf of Grant Thornton UK LLP, Appointed Auditor

[Date]

Core financial statements

Comprehensive income and expenditure account

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 20).

2012/13 Restated				2013/14		
Gross expenditure £m	Gross income £m	Net expenditure £m		Gross expenditure £m	Gross income £m	Net expenditure £m
			Continuing operations			
109.559	(39.321)	70.238	Adult social care	109.845	(26.749)	83.096
11.128	(6.796)	4.332	Central services to the public	4.446	(0.831)	3.615
263.728	(208.259)	55.469	Education & children's services	264.722	(187.742)	76.980
7.782	(0.430)	7.352	Corporate & democratic core	7.007	(0.359)	6.648
0.234	0.000	0.234	Court services	0.268	0.000	0.268
20.421	(4.025)	16.396	Cultural and related services	22.124	(4.875)	17.249
30.139	(7.081)	23.058	Environmental and regulatory services	36.959	(7.100)	29.859
12.850	(4.924)	7.926	Planning services	11.802	(4.302)	7.500
24.195	(3.843)	20.352	Highways & transport services	24.864	(3.834)	21.030
155.512	(148.857)	6.655	Housing services	127.673	(118.618)	9.055
(5.200)	0.000	(5.200)	Non-distributed costs	0.203	0.000	0.203
630.348	**(423.536)**	**206.812**	**Net cost of services excluding functions transferred to Walsall Council**	**609.913**	**(354.410)**	**255.503**
			Operations transferred to Walsall Council			
0.000	0.000	0.000	Public Health	13.817	(0.725)	13.092
0.000	**0.000**	**0.000**	**Total operations transferred to Walsall Council**	**13.817**	**(0.725)**	**13.092**
630.348	**(423.536)**	**206.812**	**Total net cost of services**	**623.730**	**(355.135)**	**268.595**
49.280	0.000	49.280	Other operating expenditure (Note 6)	25.659	0.000	25.659
46.762	(16.455)	30.307	Financing and investment income and expenditure (Note 7)	44.790	(18.010)	26.780
0.000	(258.036)	(258.036)	Taxation and non-specific grant income (Note 8)	0.000	(293.974)	(293.974)
726.390	**(698.027)**	**28.363**	**(Surplus) or deficit on provision of services**	**694.179**	**(667.119)**	**27.060**
		(15.124)	(Surplus) or deficit arising on revaluation of non-current assets (Note 44)			(12.061)
		1.584	Impairment losses or (reversals) on non-current assets charged to the revaluation reserve (Note 44)			0.530
		0.000	(Surplus) or deficit arising on revaluation of available for sale financial assets (Note 44)			0.000
		75.764	Remeasurements of pension fund assets and liabilities (Note 44)			(73.855)
		90.587	**Total comprehensive income and expenditure**			**(58.326)**

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 comprehensive income and expenditure statement (page 19). 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.

2013/14 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 31/03/13 carried forward	**(16.612)**	**(115.010)**	**(26.583)**	**(7.085)**	**(165.290)**	**327.728**	**162.438**
(Surplus) or deficit on provision of services (accounting basis)	27.060	0.000	0.000	0.000	**27.060**	0.000	**27.060**
Other comprehensive income and expenditure	0.000	0.000	0.000	0.000	**0.000**	(85.386)	**(85.386)**
Total comprehensive income and expenditure	**27.060**	**0.000**	**0.000**	**0.000**	**27.060**	**(85.386)**	**(58.326)**
Adjustments between accounting basis & funding basis under regulations (Note 22)	(42.495)	0.000	8.245	1.433	**(32.817)**	32.817	**0.000**
Net (increase) / decrease before transfers to earmarked reserves	**(15.435)**	**0.000**	**8.245**	**1.433**	**(5.757)**	**(52.569)**	**(58.326)**
Transfers to/from earmarked reserves (Note 43)	17.182	(17.182)	0.000	0.000	**0.000**	0.000	**0.000**
(Increase) / decrease in year	**1.747**	**(17.182)**	**8.245**	**1.433**	**(5.757)**	**(52.569)**	**(58.326)**
Balance at 31/03/14 carried forward	**(14.865)**	**(132.192)**	**(18.338)**	**(5.652)**	**(171.047)**	**275.159**	**104.112**

2012/13 comparatives (restated)

	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 31/03/12 carried forward	**(14.159)**	**(97.989)**	**(32.194)**	**(5.961)**	**(150.303)**	**222.154**	**71.851**
(Surplus) or deficit on provision of services (accounting basis)	28.363	0.000	0.000	0.000	**28.363**	0.000	**28.363**
Other comprehensive income and expenditure	0.000	0.000	0.000	0.000	**0.000**	62.224	**62.224**
Total comprehensive income and expenditure	**28.363**	**0.000**	**0.000**	**0.000**	**28.363**	**62.224**	**90.587**
Adjustments between accounting basis & funding basis under regulations (Note 22)	(47.837)	0.000	5.611	(1.124)	**(43.350)**	43.350	**0.000**
Net (increase) / decrease before transfers to earmarked reserves	**(19.474)**	**0.000**	**5.611**	**(1.124)**	**(14.987)**	**105.574**	**90.587**
Transfers to/from earmarked reserves (Note 43)	17.021	(17.021)	0.000	0.000	**0.000**	0.000	**0.000**
(Increase) / decrease in year	**(2.453)**	**(17.021)**	**5.611**	**(1.124)**	**(14.987)**	**105.574**	**90.587**
Balance at 31/03/13 carried forward	**(16.612)**	**(115.010)**	**(26.583)**	**(7.085)**	**(165.290)**	**327.728**	**162.438**

Balance sheet

The balance sheet shows the value of the assets and liabilities recognised by the council as at 31 March 2014. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories: usable and unusable. Usable reserves are those reserves the council may use to provide services, subject to the need to maintain a prudent level of general reserves and any statutory limitations on their use (e.g. the capital receipts reserve may only be used to fund capital expenditure or repay debt). Unusable reserves are those the council is unable to use to provide services. These include reserves that hold unrealised gains and losses (e.g. revaluation reserve), where amounts would only become available if the assets are sold; and reserves that hold timing differences shown in the movement in reserves statement line 'Adjustments between accounting basis and funding basis under regulations' (Note 22, page 62).

2012/13 £m		Note	2013/14 £m
424.877	Property, plant and equipment	24	412.815
17.771	Heritage assets	26 & 27	17.818
1.715	Investment property	28	1.581
0.683	Intangible assets	29	0.588
33.516	Long term investments	35	34.069
10.158	Long term debtors	35	9.816
488.720	**Long term assets**		**476.687**
120.702	Short term investments	35	97.596
3.088	Assets held for sale	30	9.307
1.145	Inventories	37	0.913
41.154	Short term debtors	38	39.548
3.885	Cash and cash equivalents	39	26.243
169.974	**Current assets**		**173.607**
(0.809)	Short term borrowing	35	(0.540)
(54.457)	Short term creditors	40	(56.115)
(7.750)	Provisions	41	(5.404)
(63.016)	**Current liabilities**		**(62.059)**
(0.923)	Provisions	41	(1.315)
(266.145)	Long term borrowing	35	(255.283)
(491.048)	Other long term liabilities	42	(435.749)
(758.116)	**Long term liabilities**		**(692.347)**
(162.438)	**Net assets**		**(104.112)**
(165.290)	Usable reserves	43	(171.047)
327.728	Unusable reserves	44	275.159
162.438	**Total reserves**		**104.112**

The unaudited accounts were issued on 30 June 2014 and the audited accounts were authorised for issue on 24 September 2014.

Signed: Date: 24 September 2014

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.

2012/13 Restated £m		**2013/14 £m**
28.363	Net (surplus) or deficit on the provision of services	27.060
(61.511)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 45)	(69.955)
(125.435)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 46)	(127.331)
(158.583)	**Net cash (inflows)/outflows from operating activities**	**(170.226)**
151.107	Investing activities (Note 48)	135.068
3.978	Financing activities (Note 49)	12.800
(3.498)	**Net (increase) or decrease in cash and cash equivalents**	**(22.358)**
(0.387)	Cash and cash equivalents at the beginning of the reporting period	(3.885)
(3.885)	**Cash and cash equivalents at the end of the reporting period (Note 39)**	**(26.243)**

Notes to the accounts

1. Accounting policies

General principles

The statement of accounts summarises the council's transactions for the 2013/14 financial year and its position at the year end of 31 March 2014. The council is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2011 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and the Service Reporting Code of Practice (SERCOP) 2013/14, 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 – where there is a gap between the supply date and when the supplies are used, they are carried as stock on the balance sheet
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected
- Income 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 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
- amortisation of intangible fixed assets attributable to the service

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 and impairment losses and amortisations are replaced by the minimum revenue provision, by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

Employee benefits

Benefits payable during employment

Short term employee benefits (i.e. wages and salaries, annual leave, flexi-time and time off in lieu) are accounted for in the period in which the employee renders services. An accrual is made for the cost of holiday entitlements (or any other form of leave) earned by employees but not taken before the year end that can be carried forward into the following financial year. The accrual is charged to the surplus or deficit on the provision of services. It is then reversed out through the movement in reserves statement so that holiday benefits are charged to revenue in the financial year that the holiday absence occurs.

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 non distributed costs line in the comprehensive income and expenditure statement when it is demonstrably committed to either terminate the employment of current employees or making an offer to encourage voluntary redundancy.

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 education 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 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 comprehensive income and expenditure statement 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 comprehensive income and expenditure statement as part of non distributed costs
  - Net interest on the net defined benefit liability, i.e. net interest expense for the authority – 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 comprehensive income and expenditure statement. 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
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – 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. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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 2014, 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.

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 initially measured at fair value and subsequently carried 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 comprehensive income and expenditure statement 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 comprehensive income and expenditure statement.

Any gain or loss that arises on de-recognition of an asset is credited or debited to the comprehensive income and expenditure statement.

Available-for-sale assets
Available-for-sale assets are initially measured and subsequently carried at fair value. Where the asset has fixed or determinable payments, annual credits to the comprehensive income and expenditure statement 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 comprehensive income and expenditure statement 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 comprehensive income and expenditure statement. The exception is where impairment losses have been incurred – these are debited to the comprehensive income and expenditure statement 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 comprehensive income and expenditure statement.

Any gains or losses that arise on the de-recognition of the asset are credited/debited to the comprehensive income and expenditure statement.

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

Financial liabilities
Financial liabilities are initially measured at fair value and subsequently carried at their amortised cost. Annual charges to the comprehensive income and expenditure statement 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 comprehensive income and expenditure statement 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 comprehensive income and expenditure statement 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.

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

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

Monies will not be recognised within the comprehensive income and expenditure account until the conditions attached to the grants/contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential in the asset acquired using the grant/contribution are required to be consumed by the council as specified in the grant conditions or the grant/contribution must be repaid to the awarding body.

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 comprehensive income and expenditure statement 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 comprehensive income and expenditure statement, 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.

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 comprehensive income and expenditure statement.

If the conditions that gave rise to an earlier impairment no longer exist the impairment is reversed out of the comprehensive income and expenditure statement 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

Intangible assets are recognised if it is probable that future benefits created by the asset will flow to the council.

Intangible assets are initially measured at cost. Any internally generated intangible assets (e.g. websites or bespoke computer programs) are recognised by the council if they meet the following criteria:

- Technical feasibility of completing the asset so that it is available for use or sale
- Intention to use the asset
- Ability to use or sell the asset
- The asset will generate future economic benefits or service potential
- Availability of resources to complete the asset
- Ability to measure reliably the expenditure attributable to developing the asset

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.

Inventories

Stock is initially measured at the lower of net realisable value and cost, except where it involves a non-exchange transaction where the cost is measured as the fair value at the date of acquisition. The council values all stock at the end of the year at actual cost price where suitable. Where this is not possible then stock is measured on a first in first out (FIFO) or weighted average basis. The same valuation technique is used for similar items.

Any change in value of stock is recognised in the surplus or deficit on provision of services.

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 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.

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.

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.

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

<u>Finance leases</u>

Property, plant and equipment held under finance leases is recognised on the balance sheet at the commencement of the lease at its fair value measured at the lease’s inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement)

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

The council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the general fund balance, by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

Operating leases
Rentals paid under operating leases are charged to the comprehensive income and expenditure statement 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

Finance leases
Where the council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the comprehensive income and expenditure statement as part of the gain or loss on disposal. A gain, representing the council's net investment in the lease, is credited to the same line in the comprehensive income and expenditure statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the balance sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement)

The gain credited to the comprehensive income and expenditure statement on disposal is not permitted by statute to increase the general fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the general fund balance to the capital receipts reserve in the movement in reserves statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the general fund balance to the deferred capital receipts in the movement in reserves statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point the deferred capital receipts are transferred to the capital receipts reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the general fund balance in the movement in reserves statement.

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 comprehensive income and expenditure statement. 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

For a non-current asset to be recognised as held for sale it must meet the following criteria:

- The asset must be available for immediate sale in its current condition
- The sale must be highly probable
- The asset must be actively marketed at a price that is reasonable in relation to its current fair value
- The sale should be expected to be completed within the next 12 months and is unlikely to change

Non-current assets held for sale are measured at the lower of its carrying value or fair value less costs of sale. Immediately prior to classification as held for sale non-current assets are revalued to determine fair value less costs of sale. If this is lower than the carrying amount any impairment loss created will be recognised in line with the council's policy on impairments.

Non-current assets held for sale are not subject to depreciation.

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/PPP contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI/PPP contractor.

Where a PFI/PPP arrangement meets the criteria laid out in section 4.3.2 of the Code and International Financial Reporting Interpretations Committee Note 12 (IFRIC12) – Service Concession Arrangements, the assets used to deliver the service are declared as property, plant and equipment on the council's balance sheet. Recognition of these assets occurs in line with our property, plant and equipment policy. In addition a corresponding liability is also recognised on the balance sheet.

Assets recognised for PFI/PPP schemes will be subject to the council's property, plant and equipment policy for depreciation and impairment policy.

Payments made under these arrangements are accounted for as finance leases being split into service and construction elements where possible, or into repayment of liability, interest and service charge. The construction element/repayment of liability will be paid straight to the liability shown on the balance sheet. Provision for the repayment of debt in the movement in reserves statement matches the repayment of liability.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the provision of goods /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 revalue's 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

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 carried on the balance sheet using the following measurement bases:

- Infrastructure – historical cost
- Community assets – historical cost
- Assets under construction – historical cost
- All other property, plant and equipment – fair value

Where no market-based evidence for fair value is available due to the specialist nature of the building and are rarely sold (i.e. schools) use has been made of depreciated replacement cost (DRC) to approximate fair value.

Assets carried at fair value are revalued when there have been material changes in the value or every five years whichever is sooner. Where the carrying value is increased, this increase is matched by credits to the revaluation reserve, unless this is reversing a previous impairment loss charged to the surplus or deficit on provision of services on the same asset. In this case an amount up to the value of the previous impairment loss is charged to the surplus or deficit on provision of service, with any remaining revaluation being matched by credits to the revaluation reserve.

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.

Depreciation

Depreciation is applied to all property, plant and equipment assets with the exception of land where it is demonstrated that it has an unlimited useful life (excluding land subject to depletion i.e. car parks). Assets are not depreciated until they are available for use. Depreciation is calculated by allocating the value of the asset over its expected useful life.

Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the life of the property as estimated by the valuer (usually 10 to 80 years)
- Car Parks – straight line allocation over the life of the property as estimated by the valuer (usually 40 to 50 years)
- Infrastructure – straight line allocation over 25 to 30 years
- Vehicles, plant and equipment – straight line allocation over the life of the property as estimated by the valuer (usually 5 to 10 years)

As community assets are assets that the council intends to hold in perpetuity, have no determinable useful life and may have restriction on their disposal, no depreciation is charged.

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.

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.

The council holds a range of heritage assets. These include 4 art collections and the Epstein Archive within the New Art Gallery, collections within Walsall Museum and Leather Museum, local history archive and a number of public art works, statues, war memorials and other items. The Walsall Museum collection, the Leather Museum collection, statues and war memorials around the borough are held to increase the knowledge, understanding and appreciation of local and national history. The art collections and Epstein Archive are held to increase the knowledge, understanding and appreciation of local, national and international art history.

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 relaxed 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 collections of heritage assets are accounted for as follows.

Art collections
The art collections include paintings (both oil and watercolour), sculptures, drawings/sketches, ancient/classical pottery and figures, and ethnographic works. These 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 www.thenewartgallerywalsall.org.uk/collections-and-library. Acquisitions are initially recognised at cost and donations are recognised at insurance valuation.

Epstein Archive
The Epstein Archive includes documents, photographs and audio-visual material relating to Sir Jacob Epstein. The council maintains an inventory of this archive however there is no readily available valuation held by the council. These are reported on the balance sheet at insurance valuation, based on market values.

Museum collections
The museum collections include clothing, locks, lorinery and other leather working exhibits, historic civic regalia, medals and items connected to the canals. These 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 includes church records, census records, council archives, photographs, film and other items relating to the history of Walsall. The council maintains an inventory of this archive however there is 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 four statues around the borough. There is no readily available valuation held by the council for these 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.

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 unequal 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 where it is probable that there will be an outflow of economic benefits or service potential.

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 into 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 person (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 comprehensive income and expenditure statement 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 underlying each type of school. The council controls the management and running of community and voluntary controlled schools and therefore the land and buildings of those schools are separately shown on the council's balance sheet. The land and buildings of voluntary aided and foundation schools are owned and controlled by the trustees of the schools or the foundation body and are therefore not shown on the balance sheet of the council.

Capital expenditure on community and voluntary controlled schools is added to the balances for those schools. Capital expenditure on voluntary aided and foundation schools is treated as revenue from capital under statute expenditure and written off each year to the comprehensive income and expenditure statement within education and children's services.

The Dedicated Schools Grant 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 comprehensive income and expenditure statement under education and children's services.

Individual schools' balances at 31 March 2014 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. Accounting standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. These changes are incorporated into new or amended standards issued by the International Accounting Standards Board, however they will not form part of the Code until 2014/15. However, these changes, once adopted, are not considered to have a significant impact on the statement of accounts as demonstrated below.

IFRS 13 Fair Value Measurement – Applies to IFRS's that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The standard defines fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market based, rather than entity specific measurements. The council uses market based values and expects no changes from the introduction of this amendment to the standard.

IFRS 10 Consolidated Financial Statements - this standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The council does not have any subsidiaries and therefore changes to this standard will not apply.

IFRS 11 Joint Arrangements – This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. The council has no material joint venture arrangements.

IFRS 12 Disclosure of Interests in Other Entities – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The council has a number of arrangements with other entities, none of which are material.

IAS27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures – These standards have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12 above. Given that there are no changes based on these standards no further disclosures will be required.

IAS 32 Financial Instruments: Presentation – This standard references guidance on offsetting a financial asset and financial liabilities. Gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure required.

3. 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.
- 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, and applies an inflation rate, obtained from the quarterly BCIS 'General Cost Indices', to reflect change in prices.

4. 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 2014 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 41	The council has made a provision of £4.288m for the settlement of claims for back pay arising from the Equal Pay initiative, 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 £0.429 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 council 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 instance, a 0.1% increase or decrease in the discount rate assumption would result in a decrease or increase in the pension liability of £16.379 million respectively. However, the assumptions interact in complex ways. During 2013/14, the council's actuaries carried

		out a full actuarial valuation. The assumptions used in 2013/14 resulted in no measured differences to the estimated valuation.
Arrears – note 38	At 31 March 2014, the council had a sundry debtor balance of £5.701m. A review of significant balances suggested that a net impairment of doubtful debts of 20.28% (£1.156m) 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 £0.211 million the amount to set aside as an allowance respectively.

5. 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 subjective analysis in note 21 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2014 are shown in 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 2013/14 is shown in note 12. During 2013/14, no works and services were commissioned from companies in which members had an interest. In addition, the council paid grants totalling £2.373 million to voluntary organisations 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 NHS Walsall for an integrated health and social care service for adults with learning difficulties, and an integrated community equipment service. Transactions and balances outstanding are detailed in note 11.

Entities controlled or significantly influenced by the council

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

6. Other operating expenditure

The following table provides further information for other operating expenditure shown in the CIES on page 19.

2012/13 £m		2013/14 £m
14.352	Levies	14.386
0.017	Payments to the capital housing receipts pool	0.012
34.911	(Gains) and losses on the disposal of fixed assets	11.261
49.280	**Total**	**25.659**

The reduction of losses on disposal of fixed assets is due to the reduction of schools transferring to academy status whereby the value of the school is written out of the councils accounts.

7. 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 19.

2012/13 Restated £m		2013/14 £m
14.603	Interest payable and similar charges	12.935
18.961	Pension interest cost (Note 17)	19.865
(4.007)	Interest income	(2.291)
(0.166)	Income, expenditure, depreciation and impairment of investment properties (Note 28)	(0.164)
1.674	(Surplus) or deficit on trading undertakings not included in net cost of services (Note 10)	0.905
(0.758)	Other investment income (Note 35)	(4.470)
30.307	**Total**	**26.780**

The increase in other investment income in the table above is due to the council receiving a special dividend from the investment in Birmingham Airport during 2013/14.

8. 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 19.

2012/13 £m		2013/14 £m
(109.522)	Council tax income	(85.927)
(126.709)	NNDR distribution	(63.577)
(11.511)	All capital grants and contributions (Note 20)	(14.861)
(10.294)	Non-ringfenced government grants (Note 20)	(129.609)
(258.036)	**Total**	**(293.974)**

Council tax income has reduced during 2013/14 due to the introduction of the council tax reduction scheme.

NNDR income has reduced due to the introduction of the localisation of business rates.

The increase in income from non-ringfenced government grants is due to an increase in the Revenue Support Grant (RSG) incorporating financing for the council tax reduction scheme. In addition the council received a NNDR top up grant in relation to the localisation of business rates and the receipt of funding for Public Health.

Further information on council tax and NNDR can be found on page 110.

9. Material items of income and expense

During 2013/14 the following schools transferred to academy status resulting in derecognition of non current assets totalling £9.038 million.

- Edgar Stammers Primary School £3.703 million
- Green Rock Primary School £2.336 million
- Birchills CE Junior School £2.999 million

Walsall Council has previously made a provision for costs associated with equal pay claims and its associated costs. The review of that provision has seen a charge to net costs of services of £0.328 million in 2013/14 (£0.787 million credit during 2012/13). The provision for 2013/14 is £4.288 million (£6.271 million 2012/13). Further information can be found on page 96.

10. Trading operations

The council has established 4 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the council or other organisations. Details are as follows:

2012/13 Total £m		2013/14		
		Expenditure £m	Income £m	Total £m
0.823	Catering	4.054	(3.851)	0.203
0.176	Cleaning and caretaking	5.199	(4.824)	0.375
0.227	Markets	0.685	(0.767)	(0.082)
0.448	Internal support services	1.922	(1.513)	0.409
1.674		**11.860**	**(10.955)**	**0.905**

Trading operations are incorporated into the comprehensive income and expenditure statement. The net expenditure of these operations is charged as financing and investment income and expenditure (see note 7).

The council provides services to schools under the traded services agreement. Services provided are cleaning, caretaking, human resources, legal services, finance support, property services, recruitment services, sports and leisure services and wellbeing. Typically a range of pricing options are available for schools to make their desired choice.

Catering provide school meals to 53 schools within the borough and other catering needs including breakfasts, mid morning break, and wrap around for children’s centres. Catering also run the Town Hall Restaurant which provides a service to the general public. From this facility Catering also provide a catering service to the council including refreshments, buffets and civic functions.

The objective of the catering service is to provide a school lunch service to all schools within the borough which meets the needs of the students, their parents and the Governors of the school at a reasonable price whilst meeting the Government’s objectives to improve the health and wellbeing of young people and assist in their educational attainment by complying with the School Food Trust Nutritional and Food Based Standards.

Cleaning services provide a full cleaning service to internal and external customers of Walsall Council, ranging from domestic to specialist cleaning. Tailor made packages are available to suit customer requirements and budgets. All work is fully insured and they offer extensive experience, care and attention to detail when working with organisations to achieve high standards of cleanliness. Employees are fully trained, motivated and committed to providing a hygienic and safe environment for customers and visitors and are treated with the utmost priority.

Caretaking services provide a caretaking service to internal and external customers of Walsall Council. They currently provide caretaking services to education and non education buildings including civic buildings, libraries, and museums. They have a large, experienced workforce and offer a professional service offering flexible solutions to tasks including, premise maintenance and security. They also provide a relief service to cover all eventualities including absence cover.

Markets provide facilities for successful markets within the borough of Walsall. The service aims to ensure a suitable quality and variety of goods is available for sale to the general public.

The internal support services represent traded services to schools and print and design services. Internal support services ‘Print and Design’ provides a comprehensive, design, print production, finishing and delivery service to Walsall Council and its partners. The service works with customers to understand their needs and objectives so that the best design and print solution for their needs and those of their stakeholders can be provided.

11. Pooled budgets

The council, in association with NHS Walsall, has established both an integrated health and social care service for adults with learning disabilities, and an integrated community equipment service with pooled fund arrangements. The agreement for the integrated health and social care service for adults with learning disabilities sets out that the council contributes 72.10% and NHS Walsall 27.90% to the fund. The agreement for the integrated community equipment service sets out that the council contributes 59% and NHS Walsall 41% to the fund. These same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each year.

2012/13 Total £m	Pooled fund memorandum account – integrated health & social care for adults with learning difficulties	2013/14 Total £m
	Expenditure	
0.788	Integrated team	0.688
11.498	Community support	12.437
2.112	Day care	2.154
10.691	Residential & Nursing	9.915
0.613	Supported employment	0.822
2.106	Management & administration	0.733
3.329	NHS Provider Contract	3.277
31.137		**30.026**
	Gross funding	
(8.689)	NHS Walsall	(8.689)
(18.621)	Walsall Council	(20.788)
(27.310)		**(29.477)**
3.827	**Net over/(under) spend**	**0.549**
	Allocation of over/(under) spend	
1.068	NHS Walsall	0.000
2.759	Walsall Council	0.549
3.827		**0.549**

2012/13 Total £m	Pooled fund memorandum account – integrated community equipment service	2013/14 Total £m
	Expenditure	
0.372	Staffing costs	0.315
0.118	Premises/facilities/transport	0.082
0.903	Equipment – Walsall Council	1.172
1.393		**1.569**
	Gross funding	
(0.568)	NHS Walsall	(0.568)
(0.824)	Walsall Council	(0.824)
(1.392)		**(1.392)**
0.001	**Net over/(under) spend**	**0.177**
	Allocation of over/(under) spend	
0.000	NHS Walsall	0.000
0.001	Walsall Council	0.177
0.001		**0.177**

12. Members allowances

The council paid £0.753 million of basic allowances (2012/13 £0.704 million) and £0.234 million of special responsibility payments (2012/13 £0.183 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)	2013/14	194,271	0	1,321	0	0	**195,592**
	2012/13	189,533	0	1,297	0	22,175	**213,005**
Executive Director - Resources	2013/14	117,186	0	2,778	0	14,031	**133,995**
	2012/13	114,328	0	2,680	0	13,689	**130,697**
Executive Director 1 - Children's Services	2013/14	0	0	0	0	0	**0**
	2012/13	66,691	0	1,558	100	7,985	**76,334**
Executive Director 2 - Children's Services	2013/14	0	200,157	0	0	0	**200,157**
	2012/13	0	113,958	0	0	0	**113,958**
Executive Director 1 - Social Care	2013/14	117,186	0	2,737	0	14,031	**133,954**
	2012/13	114,328	0	2,570	0	13,689	**130,587**
Executive Director 2 - Social Care	2013/14	0	163,888	0	0	0	**163,888**
	2012/13	0	29,021	0	0	0	**29,021**
Executive Director 3 - Social Care	2013/14	0	19,180	0	0	0	**19,180**
	2012/13	0	0	0	0	0	**0**
Executive Director - Neighbourhood Services	2013/14	117,186	0	2,749	0	14,031	**133,966**
	2012/13	114,328	0	2,745	0	13,689	**130,762**
Executive Director 1 - Regeneration Services	2013/14	15,751	0	2,840	0	1,886	**20,477**
	2012/13	114,328	0	2,682	0	13,689	**130,699**
Executive Director 2 - Regeneration Services	2013/14	83,479	0	13,950	0	9,995	**107,424**
	2012/13	0	0	0	0	0	**0**
Assistant Director - Finance - Section 151 officer	2013/14	92,230	0	11	0	10,791	**103,032**
	2012/13	90,086	0	23	0	10,540	**100,649**
Head of Legal and Democratic Services - Monitoring Officer	2013/14	87,895	0	14	0	10,284	**98,193**
	2012/13	85,751	0	26	0	10,033	**95,810**
Director of Public Health	2013/14	93,348	0	0	0	13,069	**106,417**
	2012/13	0	0	0	0	0	**0**

Please note there is only one post of Executive Director Children's Services, however due to changes this post was occupied by 2 individuals during the 2012/13 financial year and one individual for the 2013/14 financial year:

Executive Director 1 Children's Services covered the period 01.04.2012 to 31.10.2012.

Executive Director 2 Children's Services covered the period 15.10.2012 to 31.03.2014 – 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 2 individuals during the 2012/13 financial year and 3 individuals during the 2013/14 financial year:

Executive Director 1 Social Care covered the period 01.04.2012 to 31.03.2014.

Executive Director 2 Social Care covered the period 04.02.2013 to 27.02.2014 – 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 3 Social Care covered the period 28.02.2014 to 31.03.2014 – 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 Regeneration, however due to changes this post was occupied by 2 individuals during the 2013/14 financial year:

Executive Director 1 Regeneration covered the period 01.04.2012 to 19.05.2013.

Executive Director 2 Regeneration covered the period 15.07.2013 to 31.03.2014.

Please note that the Director of Public Health transferred to the council with effect from 01.04.2013, there are therefore no comparative figures for the 2012/13 financial year.

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	2013/14 post numbers			
	Council officers	Teachers - community/ VC schools	Teachers - foundation/ VA schools	Total
£50,000 - £54,999	17	32	11	**60**
£55,000 - £59,999	14	25	7	**46**
£60,000 - £64,999	6	20	10	**36**
£65,000 - £69,999	11	12	2	**25**
£70,000 - £74,999	15	4	2	**21**
£75,000 - £79,999	0	4	0	**4**
£80,000 - £84,999	2	0	1	**3**
£85,000 - £89,999	6	1	0	**7**
£90,000 - £94,999	0	0	0	**0**
£95,000 - £99,999	0	0	1	**1**
£100,000 - £104,999	0	0	0	**0**
£105,000 - £109,999	0	0	1	**1**
£110,000 - £114,999	0	0	0	**0**
£115,000 - £119,999	0	0	0	**0**
£120,000 - £124,999	0	0	0	**0**
Total	**71**	**98**	**35**	**204**

Remuneration band	2012/13 comparative post numbers			
	Council officers	Teachers - community/ VC schools	Teachers - foundation/ VA schools	Total
£50,000 - £54,999	23	27	7	**57**
£55,000 - £59,999	11	26	10	**47**
£60,000 - £64,999	10	16	9	**35**
£65,000 - £69,999	7	10	5	**22**
£70,000 - £74,999	21	4	0	**25**
£75,000 - £79,999	1	1	1	**3**
£80,000 - £84,999	3	0	1	**4**
£85,000 - £89,999	2	1	0	**3**
£90,000 - £94,999	1	0	1	**2**
£95,000 - £99,999	0	0	0	**0**
£100,000 - £104,999	0	1	0	**1**
£105,000 - £109,999	0	0	1	**1**
£110,000 - £114,999	0	0	0	**0**
£115,000 - £119,999	0	0	0	**0**
£120,000 - £124,999	0	0	0	**0**
Total	**79**	**86**	**35**	**200**

In accordance with IAS8 Accounting Policies, Changes in Accounting Estimates and Errors prior year comparatives have been updated for the previous table.

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	
£	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13 £m	2013/14 £m
0 - 20,000	33	27	188	137	221	164	1.231	1.020
20,001 - 40,000	-	2	38	28	38	30	0.988	0.832
40,001 - 60,000	-	-	11	14	11	14	0.530	0.700
60,001 - 80,000	-	-	7	8	7	8	0.452	0.554
80,001 - 100,000	-	-	2	9	2	9	0.178	0.813
100,001 - 150,000	-	-	-	5	-	5	0.000	0.542
Total	**33**	**29**	**246**	**201**	**279**	**230**	**3.379**	**4.461**

15. Termination benefits

The council terminated the contracts of a number of employees in 2013/14, incurring liabilities of £4.210 million (£2.958 million in 2012/13), 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 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 2013/14, the council paid £7.655 million to Teachers’ Pensions in respect of teachers’ retirement benefits, representing 14.1% of pensionable pay. The figures for 2012/13 were £8.027 million and 14.1%. 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 new 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 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 2013/14, the council paid £0.126 million to NHS Pensions in respect of Public Health Staff retirement benefits, representing 14.0% of pensionable pay. These pensions were transferred to the council on 1 April 2013 as part of the Public Health function meaning the council have no comparable figures for 2012/13.

17. Defined benefit pension schemes

Following amendments to International Accounting Standard 19 (IAS19) Post Employment Benefits - there are a number of classification, recognition, measurement and disclosure adjustments that required prior year comparatives to be restated. The tables in this section reflect these amendments.

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, administered locally by Wolverhampton City Council. This is a funded defined benefit final salary 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.

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 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 comprehensive income and expenditure statement and the general fund balance via the movement in reserves statement during the year.

2012/13				2013/14		
Local Government Pension Scheme		Unfunded teachers		Local Government Pension Scheme		Unfunded teachers
Funded £m	Unfunded £m	£m		Funded £m	Unfunded £m	£m
			Comprehensive income and expenditure statement			
			Cost of service:			
18.040	0.000	0.000	Current service cost	24.211	0.000	0.000
0.178	0.000	0.000	Past service costs	0.043	0.000	0.000
(5.954)	0.000	0.221	(Gain)/Loss from settlements	0.115	0.000	0.049
			Financing and investment income and expenditure:			
16.910	1.341	0.710	Net interest expense (inc. Admin expenses)	18.028	1.206	0.631
29.174	**1.341**	**0.931**	**Total post employment benefit charged to the surplus or deficit on the provision of services**	**42.397**	**1.206**	**0.680**
			Other post employment benefit charged to the comprehensive income and expenditure statement			
35.253	0.000	0.000	Return on plan assets (excluding the amount included in the net interest expense)	(14.393)	0.000	0.000
0.000	0.000	0.000	Experience gain/loss on liabilities	9.605	3.150	(0.072)
(9.700)	0.000	(0.220)	Actuarial gains and losses arising on changes in demographic assumptions	(5.683)	(0.120)	(0.518)
(97.060)	(2.182)	(1.855)	Actuarial gains and losses arising on changes in financial assumptions	80.341	0.649	0.896
(42.333)	**(0.841)**	**(1.144)**	**Total post employment benefit charged to the comprehensive income and expenditure statement**	**112.267**	**4.885**	**0.986**
			Movement in reserves statement			
(9.049)	0.826	0.436	Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	(21.465)	0.981	0.705
			Actual amount charged against the general fund balance for pensions in the year:			
20.125			Employers' contributions payable to scheme	20.932		
	2.167	1.367	Retirement benefits payable to pensioners		2.187	1.385

The West Midlands Metropolitan Authorities Pension fund underwent its triennial revaluation in 2013/14 as such changes in financial assumptions and economic conditions recognised within this valuation have resulted in a number of large variances within the table above and the more detailed tables below.

Past service costs on the local government scheme consist of costs due to early retirements within the year.

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.

2012/13 £m		2013/14 £m
(1,010.371)	Present value of defined benefit obligation	(959.657)
529.574	Fair value of plan assets	532.936
(480.797)	**Net pension liability arising from defined benefit obligation**	**(426.721)**

Reconciliation of fair value of the scheme assets

Local Government Pension Scheme 2012/13 £m		Local Government Pension Scheme 2013/14 £m
476.219	Opening balance at 1 April	529.574
23.216	Interest on plan assets	22.156
35.253	Remeasurements (assets)	(14.393)
(0.287)	Administration expenses	(0.307)
(1.295)	Settlements	0.000
22.292	Employer contributions	23.119
6.149	Member contributions	6.548
(31.973)	Benefits/transfers paid	(33.761)
529.574	**Closing balance at 31 March**	**532.936**

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

2012/13				2013/14		
Local Government Pension Scheme		Unfunded teachers		Local Government Pension Scheme		Unfunded teachers
Funded £m	Unfunded £m	£m		Funded £m	Unfunded £m	£m
(828.903)	(28.444)	(16.117)	Opening balance at 1 April	(962.815)	(29.800)	(17.756)
(18.040)	0.000	0.000	Current service cost	(24.211)	0.000	0.000
(39.839)	(1.341)	(0.710)	Interest on pension liabilities	(39.877)	(1.206)	(0.631)
(6.149)	0.000	0.000	Member contributions	(6.548)	0.000	0.000
			Remeasurements (liabilities)			
(97.061)	(2.182)	(1.855)	Gain/(Loss) on financial assumptions	80.341	0.649	0.896
(9.700)	0.000	(0.220)	Gain/(Loss) on demographic assumptions	(5.683)	(0.120)	(0.518)
0.000	0.000	0.000	Experience gain/(Loss)	15.905	(3.150)	(0.072)
29.806	2.167	1.367	Benefits paid	31.574	2.187	1.385
(0.178)	0.000	0.000	Past service costs	(0.043)	0.000	0.000
7.857	0.000	0.000	Settlements	1.260	0.000	0.000
(0.608)	0.000	(0.221)	Curtailments	(1.375)	0.000	(0.049)
(962.815)	**(29.800)**	**(17.756)**	**Closing balance at 31 March**	**(911.472)**	**(31.440)**	**(16.745)**

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, using mortality rates, salary levels etc.

Both the local government pension scheme and discretionary benefit liabilities have been estimated by Mercer Limited, an independent actuary firm with estimates being based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme				Unfunded teachers pensions	
	Funded		Unfunded			
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
Mortality assumptions:						
Longevity at 65 for current pensioners:						
- Men	22.1	22.9	22.1	22.9	22.1	22.9
- Women	24.8	25.5	24.8	25.5	24.8	25.5
Longevity at 65 for future pensioners:						
- Men	23.90	25.10	n/a	n/a	n/a	n/a
- Women	26.70	27.80	n/a	n/a	n/a	n/a
Rate of inflation	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%
Rate of increase in salaries	4.15%	4.15%	n/a	n/a	n/a	n/a
Rate of increase in pensions	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%
Rate for discounting scheme liabilities	4.20%	4.40%	4.20%	4.40%	3.70%	4.30%

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 analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while 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.

	Increase in assumptions £m
Longevity (increase or decrease in 1 year)	428.006
Rate of inflation (increase or decrease by 0.1%)	426.644
Rate of increase in salaries (increase or decrease by 0.1%)	413.873
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	393.597

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:

	2012/13		2013/14	
	£m	%	£m	%
Equities - UK Quoted	52.321	9.9%	55.428	10.4%
Equities - UK Unquoted	1.006	0.2%	10.179	1.9%
Equities - Global Quoted	26.638	5.0%	28.032	5.3%
Equities - Global Unquoted	65.508	12.4%	55.212	10.4%
Equities - Overseas	148.017	28.0%	161.426	30.3%
Government bonds - UK	46.390	8.8%	43.861	8.2%
Bonds - UK Other	25.525	4.8%	25.634	4.8%
Bonds - Overseas Other	17.582	3.3%	13.856	2.6%
Bonds - Other	17.370	3.3%	17.693	3.3%
Property - UK	32.675	6.2%	31.603	5.9%
Property - Overseas	1.748	0.3%	1.172	0.2%
Property - Property Funds	10.803	2.0%	15.242	2.9%
Cash - Cash instruments	12.922	2.4%	10.605	2.0%
Cash - Cash accounts	4.607	0.9%	3.784	0.7%
Alternatives	66.462	12.6%	59.209	11.1%
Total	**529.574**	**100.0%**	**532.936**	**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 22 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. 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 to pay £29.939m in contributions to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 18 years, 2013/14 (15 years 2012/13).

18. External audit costs

The council incurred costs of £0.189m (£0.189m 2012/13) for fees related to external audit services carried out by Grant Thornton, the council's appointed auditor and £0.019m (£0.030m 2012/13) for fees incurred for the certification of grant claims and returns during 2013/14.

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 2013/14 which has been deployed in accordance with the Schools Standard and Framework Act (1998 14) are shown in the following table.

2012/13			Dedicated Schools Grant (DSG)	2013/14		
Central Expenditure £m	**ISB £m**	**Total £m**		**Central Expenditure £m**	**ISB £m**	**Total £m**
(15.925)	(201.485)	(217.410)	Final DSG for year before Academy recoupment	(22.783)	(200.693)	(223.476)
1.205	69.093	70.298	Academy figure recouped	0.278	79.755	80.033
(14.720)	**(132.392)**	**(147.112)**	**Total DSG after Academy recoupment**	**(22.505)**	**(120.938)**	**(143.443)**
(2.911)	(1.176)	(4.087)	Plus brought forward from previous year	(3.793)	0.000	(3.793)
0.000	0.000	0.000	Less carry forward to next year agreed In advance	0.000	0.000	0.000
(17.631)	**(133.568)**	**(151.199)**	**Agreed initial budgeted distribution in year**	**(26.298)**	**(120.938)**	**(147.236)**
0.000	0.000	0.000	In Year adjustments	0.213	(0.213)	0.000
(17.631)	**(133.568)**	**(151.199)**	**Agreed final budgeted distribution in year**	**(26.085)**	**(121.151)**	**(147.236)**
13.838	0.000	13.838	Less actual central expenditure	20.238	0.000	20.238
0.000	133.568	133.568	Less actual ISB deployed to schools	0.000	121.151	121.151
0.000	0.000	0.000	Plus local authority contribution in year	0.000	0.000	0.000
(3.793)	**0.000**	**(3.793)**	**Carry forward to next year**	**(5.847)**	**(0.000)**	**(5.847)**

20. Grant income

The council credited the following grants, contributions and donations to the comprehensive income and expenditure statement in 2013/14:

2012/13 £m	Revenue grants	2013/14 £m
	Credited to taxation and non specific grant income	
(2.456)	Revenue support grant	(98.171)
(0.568)	Local Services Support Grant	0.000
(0.794)	Troubled Families Grant	(1.136)
(0.100)	High Street Innovation grant	0.000
(1.595)	Street Lighting PFI grant	(1.595)
(2.731)	Council Tax Freeze Grant	0.000
(0.084)	Council Tax Reform Grant	0.000
(1.844)	New Homes Bonus	(3.137)
0.000	Capitalisation Top slice returned	(0.518)
0.000	Small Business Rates Relief	(1.267)
0.000	New Burdens Funding	(0.385)
0.000	Walsall Crisis Support Grant	(1.331)
0.000	Adult Personal Social Services	(5.125)
0.000	Public Health Grant	(14.984)
0.000	NNDR Top Up	(31.902)
0.000	Adoption Grant (non ring fenced element)	(0.540)
0.000	Council Tax Transitional Grant	(0.645)
(0.122)	Other	(0.775)
(10.294)	**Total**	**(161.511)**
	Credited to services	
(0.876)	Arts Council Funding - National Portfolio Funding	(0.878)
(3.864)	Skills funding agency - Walsall Adult and Community College (WACC)	(4.444)
(0.687)	Arts Council Funding - Music Support Grant	(0.550)
(3.131)	Housing benefits administration subsidy grant	(2.851)
(110.867)	Housing benefits rent allowances grant	(112.356)
(29.462)	Council Tax benefit subsidy grant	0.000
(0.660)	Housing benefit non Housing Revenue Account (HRA) rebates	(0.658)
0.000	Discretionary Housing Payments	(0.591)
(6.638)	Learning Disabilities - main grant	0.000
(147.112)	Dedicated Schools Grant	(143.444)
0.000	Education Services Grant	(3.860)
(5.936)	Education Funding Agency (EFA) sixth form funding grant	(4.414)
(0.610)	Youth Justice Board	(0.512)
(5.881)	Pupil Premium	(8.695)
(15.402)	Early Intervention Grant (EIG)	0.000
(0.773)	St Thomas More PFI Grant	(0.773)
0.000	City Deal Welfare Pilot	(1.750)
0.000	Section75 CCG Agreement	(16.815)
(2.028)	Other	(2.924)
(333.927)	**Total**	**(305.513)**
(344.221)	**Total Revenue Grants**	**(467.024)**

Due to changes in the funding of local authorities, a number of new grants have been introduced such as the Public Health grant and NNDR Top Up grant. There has also been an increase in Revenue Support Grant. A result of this is a number of other grants are no longer received such as Council Tax benefit subsidy and Early Intervention Grant (EIG).

In accordance with its grant conditions Walsall Council has fully utilised the Arts Council grants received by it in 2013/14 shown in the above table.

2012/13 £m	Capital grants	2013/14 £m
	Credited to taxation and non specific grant income	
(0.344)	Devolved Formula Capital	(0.508)
(0.733)	Lottery	(0.175)
0.000	ERDF	(0.007)
(5.637)	Department for Education	(3.427)
(0.331)	CENTRO	(6.472)
(0.011)	Housing specific	0.000
(0.028)	Local sustainable travel fund	(0.434)
(2.380)	Local transport plan	(1.768)
(0.692)	Department for Health	(0.681)
(0.526)	s106 contributions	(0.724)
(0.188)	Arts Fund International	0.000
(0.069)	Arts Council Funding	0.000
(0.572)	Other	(0.665)
(11.511)	**Total**	**(14.861)**
	Credited to services	
(10.651)	Academies	(0.066)
(0.319)	Devolved Formula Capital	(0.082)
(0.134)	Lottery	(0.211)
(0.972)	Department for Education	(0.495)
(0.066)	Department for Health	(0.089)
(0.884)	Local transport plan	0.000
(0.308)	CENTRO	0.000
(1.671)	Housing specific	(1.356)
(0.032)	s106 contributions	0.000
(0.419)	Other	(0.225)
(15.455)	**Total**	**(2.524)**
(26.966)	**Total capital grants**	**(17.385)**

21. Amounts reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the comprehensive income and expenditure statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by Cabinet on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the revaluation reserve and amortisations are charged to services in the comprehensive income and expenditure statement)

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support functions is budgeted for centrally and not charged to services

Service income and expenditure as reported to management

The income and expenditure of the council's principal services recorded in the budget reports for the year is as follows:

Service income and expenditure 2013/14	Centrally held budgets £m	Childrens £m	Neighbourhood Services £m	Regeneration £m	Resources £m	Social Care & Inclusion £m	Total £m
Income							
Fees, charges and other service income	(7.740)	(20.573)	(22.115)	(21.424)	(31.689)	(28.212)	(131.753)
Government grants	(103.393)	(160.630)	(23.036)	0.000	(118.126)	(5.455)	(410.640)
Total Income	**(111.133)**	**(181.203)**	**(45.151)**	**(21.424)**	**(149.815)**	**(33.667)**	**(542.393)**
Expenditure							
Employee expenses	1.386	40.297	38.294	13.306	33.014	23.572	149.869
Other Service Expenses	1.244	207.905	59.649	24.079	128.137	83.882	504.896
Support Services Recharges	0.000	4.928	4.758	2.800	8.159	2.960	23.605
Total Expenditure	**2.630**	**253.130**	**102.701**	**40.185**	**169.310**	**110.414**	**678.370**
Transfer to/(from) reserves	12.682	0.000	0.000	0.000	0.000	0.000	12.682
Net expenditure	**(95.821)**	**71.927**	**57.550**	**18.761**	**19.495**	**76.747**	**148.659**

Service income and expenditure 2012/13 comparative figures - Restated	Centrally held budgets £m	Childrens £m	Neighbourhood Services £m	Regeneration £m	Resources £m	Social Care & Inclusion £m	Total £m
Income							
Fees, charges and other service income	(4.567)	(14.022)	(28.855)	(26.003)	(32.020)	(41.833)	(147.300)
Government grants	(5.547)	(175.480)	(6.273)	(0.095)	(144.652)	(6.638)	(338.685)
Total Income	**(10.114)**	**(189.502)**	**(35.128)**	**(26.098)**	**(176.672)**	**(48.471)**	**(485.985)**
Expenditure							
Employee expenses	11.628	29.023	37.884	14.907	21.157	22.075	136.674
Other Service Expenses	11.776	208.899	52.918	24.039	129.976	91.971	519.579
Support Services Recharges	0.000	4.133	4.949	3.137	7.709	3.466	23.394
Total Expenditure	**23.404**	**242.055**	**95.751**	**42.083**	**158.842**	**117.512**	**679.647**
Transfer to/(from) reserves	18.380	0.000	0.000	0.000	0.000	0.000	18.380
Net expenditure	**31.670**	**52.553**	**60.623**	**15.985**	**(17.830)**	**69.041**	**212.042**

Due to changes in local government funding a number of new grants have been received by the council and a number are no longer received. Further information can be found on page 57, although the grant income note includes all grants received and not just government grants.

Reconciliation of service income and expenditure to cost of services in the comprehensive income and expenditure statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the comprehensive income and expenditure statement.

2012/13 Restated £m		2013/14 £m
212.042	Costs of services in service analysis	148.659
(0.054)	Amendments to accounts following management reporting	(14.996)
19.520	Remove amounts reported to management but not included in the comprehensive income and expenditure statement	29.568
(51.667)	Included below net cost of services in the comprehensive income and expenditure account	90.685
26.971	Allocation of recharges	14.678
206.812	**Net cost of services in comprehensive income and expenditure statement**	**268.594**

Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the surplus or (deficit) on the provision of services included in the comprehensive income and expenditure statement.

2013/14	Service Analysis £m	Amendments to accounts following management reporting £m	Not included in I&E £m	Included below Net Cost of Services in CIES £m	Allocation of recharges £m	Net cost of services £m	Corporate amounts £m	Total £m
Expenditure								
Employee services	149.869	60.519	18.935	0.000	0.000	229.323	13.599	242.922
Other service expenditure	453.700	(75.499)	6.014	(22.972)	0.000	361.243	(13.634)	347.609
Support service recharges	27.615	0.000	0.000	0.000	(25.254)	2.361	11.758	14.119
Depreciation/amortisation/ impairment	0.000	(0.016)	30.819	0.000	0.000	30.803	0.265	31.068
Interest payments	32.800	0.000	0.000	(32.800)	0.000	0.000	32.800	32.800
Precepts and levies	14.386	0.000	0.000	(14.386)	0.000	0.000	14.386	14.386
Payments to housing capital receipts pool	0.000	0.000	0.012	(0.012)	0.000	0.000	0.012	0.012
Gain or loss on disposal of fixed assets	0.000	0.000	0.000	0.000	0.000	0.000	11.261	11.261
Total expenditure	**678.370**	**(14.996)**	**55.780**	**(70.170)**	**(25.254)**	**623.730**	**70.447**	**694.177**
Income								
Fees, charges and service income	(124.992)	0.000	0.000	30.599	43.877	(50.516)	(11.248)	(61.764)
Interest and investment income	(6.761)	0.000	0.000	6.761	0.000	(0.000)	(6.761)	(6.761)
Income from Council Tax	0.000	0.000	0.643	(0.643)	0.000	0.000	(85.927)	(85.927)
Income from NNDR	0.000	0.000	0.000	0.000	0.000	0.000	(63.577)	(63.577)
Government grants and contributions	(410.640)	0.000	(14.173)	124.138	(3.945)	(304.620)	(144.470)	(449.090)
Total income	**(542.393)**	**0.000**	**(13.530)**	**160.855**	**39.932**	**(355.136)**	**(311.983)**	**(667.119)**
Transfer to / (from) reserves	12.682	0.000	(12.682)	0.000	0.000	0.000	0.000	0.000
Surplus or deficit on the provision of services	**148.659**	**(14.996)**	**29.568**	**90.685**	**14.678**	**268.594**	**(241.536)**	**27.058**

2012/13 comparative figures - Restated	**Service Analysis £m**	**Amendments to accounts following management reporting £m**	**Not included in I&E £m**	**Included below Net Cost of Services in CIES £m**	**Allocation of recharges £m**	**Net cost of services £m**	**Corporate amounts £m**	**Total £m**
Expenditure								
Employee services	232.903	96.229	1.558	(23.173)	0.000	307.517	9.831	317.348
Other service expenditure	394.050	(96.229)	28.968	(21.404)	0.000	305.385	2.960	308.345
Support service recharges	23.395	0.000	0.000	0.000	(23.386)	0.009	0.095	0.104
Depreciation/amortisation/ impairment	0.000	(0.054)	17.492	0.000	0.000	17.438	0.311	17.749
Interest payments	14.947	0.000	0.000	(14.947)	0.000	0.000	33.565	33.565
Precepts and levies	14.352	0.000	0.000	(14.352)	0.000	0.000	14.352	14.352
Payments to housing capital receipts pool	0.000	0.000	0.000	0.000	0.000	0.000	0.017	0.017
Gain or loss on disposal of fixed assets	0.000	0.000	0.000	0.000	0.000	0.000	34.911	34.911
Total expenditure	**679.647**	**(0.054)**	**48.018**	**(73.876)**	**(23.386)**	**630.349**	**96.042**	**726.391**
Income								
Fees, charges and service income	(142.317)	0.000	(10.022)	9.278	50.357	(92.704)	16.813	(75.891)
Interest and investment income	(4.983)	0.000	0.000	4.940	0.000	(0.043)	(33.268)	(33.311)
Income from Council Tax	0.000	0.000	0.000	0.000	0.000	0.000	(109.522)	(109.522)
Income from NNDR								
Government grants and contributions	(338.685)	(0.096)	0.000	7.991	0.000	(330.790)	(148.514)	(479.304)
Total income	**(485.985)**	**(0.096)**	**(10.022)**	**22.209**	**50.357**	**(423.537)**	**(274.491)**	**(698.028)**
Transfer to / (from) reserves	18.380	0.096	(18.476)	0.000	0.000	0.000	0.000	0.000
Surplus or deficit on the provision of services	**212.042**	**(0.054)**	**19.520**	**(51.667)**	**26.971**	**206.812**	**(178.449)**	**28.363**

In accordance with IAS8 Accounting Policies, Changes in Accounting Estimates and Errors prior year comparatives have been updated for the above disclosure to enable direct comparison between 2012/13 and 2013/14. This was in relation to reclassification of education costs between employee services and other service expenditure.

22. Adjustments between accounting basis and funding basis under regulations

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.

2013/14 Actuals

	Movement in general fund balance £m	Movement in capital grants unapplied account £m	Movement in capital receipts reserve £m	Movement in unusable reserves £m
Adjustments primarily involving the Capital Adjustment Account (Note 44)				
Charges for depreciation and impairment of non-current assets	(17.318)	0.000	0.000	17.318
Revaluation losses on Property, Plant and Equipment	(13.294)	0.000	0.000	13.294
Movements in the market value of Investment Properties	(0.144)	0.000	0.000	0.144
Amortisation and impairment of intangible assets	(0.316)	0.000	0.000	0.316
Capital grants and contributions applied	8.101	0.000	0.000	(8.101)
Revenue expenditure funded from capital under statute	(10.662)	0.000	0.000	10.662
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(13.165)	0.000	0.000	13.165
Statutory provision for the financing of capital investment	13.956	0.000	0.000	(13.956)
Capital expenditure charged against the General Fund	1.935	0.000	0.000	(1.935)
	(30.907)	**0.000**	**0.000**	**30.907**
Adjustments primarily involving the Capital Grants Unapplied Account (Note 43)				
Capital grants and contributions unapplied credited to the CIES	6.761	(6.761)	0.000	0.000
Application of grants to capital financing transferred to the Capital Adjustment Account	0.000	15.006	0.000	(15.006)
	6.761	**8.245**	**0.000**	**(15.006)**
Adjustments primarily involving the Capital Receipts Reserve (Note 43)				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	1.904	0.000	(1.904)	0.000
Use of the Capital Receipts Reserve to finance new capital expenditure	0.000	0.000	3.342	(3.342)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(0.012)	0.000	0.012	0.000
Transfer from Deferred Capital Receipts upon receipt of cash	0.000	0.000	(0.017)	0.017
	1.892	**0.000**	**1.433**	**(3.325)**
Subtotal c/f	**(22.254)**	**8.245**	**1.433**	**12.576**

	Movement in general fund balance £m	Movement in capital grants unapplied account £m	Movement in capital receipts reserve £m	Movement in unusable reserves £m
Subtotal b/f	**(22.254)**	**8.245**	**1.433**	**12.576**
Adjustments primarily involving the Deferred Capital Receipts Reserve (Note 44)				
Movements required for Soft Loans advanced by the council for future cashflows	0.320	0.000	0.000	(0.320)
Adjustments primarily involving the Financial Instruments Adjustment Account (Note 44)				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	0.016	0.000	0.000	(0.016)
Adjustments primarily involving the Pensions Reserve (Note 44)				
Reversal of items in relation to retirement benefits debited/(credited) to the CIES	(44.283)	0.000	0.000	44.283
Employer's pensions contributions and direct payments to pensioners payable in the year	24.504	0.000	0.000	(24.504)
Adjustments primarily involving the Collection Fund Adjustment Account (Note 44)				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(0.642)	0.000	0.000	0.642
Adjustment primarily involving the Accumulated Absences Account (Note 44)				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable with statutory requirements	(0.156)	0.000	0.000	0.156
Total adjustments	**(42.495)**	**8.245**	**1.433**	**32.817**

2012/13 Comparatives (restated)

	Movement in general fund balance £m	Movement in capital grants unapplied account £m	Movement in capital receipts reserve £m	Movement in unusable reserves £m
Adjustments primarily involving the Capital Adjustment Account (Note 44)				
Charges for depreciation and impairment of non-current assets	(21.554)	0.000	0.000	21.554
Revaluation losses on Property, Plant and Equipment	4.325	0.000	0.000	(4.325)
Movements in the market value of Investment Properties	(0.124)	0.000	0.000	0.124
Amortisation and impairment of intangible assets	(0.396)	0.000	0.000	0.396
Capital grants and contributions applied	3.491	0.000	0.000	(3.491)
Revenue expenditure funded from capital under statute	(9.551)	0.000	0.000	9.551
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(40.172)	0.000	0.000	40.172
Statutory provision for the financing of capital investment	9.351	0.000	0.000	(9.351)
Capital expenditure charged against the General Fund	0.156	0.000	0.000	(0.156)
	(54.474)	**0.000**	**0.000**	**54.474**
Adjustments primarily involving the Capital Grants Unapplied Account (Note 43)				
Capital grants and contributions unapplied credited to the CIES	8.027	(8.027)	0.000	0.000
Application of grants to capital financing transferred to the Capital Adjustment Account	0.000	13.638	0.000	(13.638)
	8.027	**5.611**	**0.000**	**(13.638)**
Adjustments primarily involving the Capital Receipts Reserve (Note 43)				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	5.261	0.000	(5.221)	(0.040)
Use of the Capital Receipts Reserve to finance new capital expenditure	0.000	0.000	4.625	(4.625)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(0.017)	0.000	0.017	0.000
Transfer from Deferred Capital Receipts upon receipt of cash	0.000	0.000	(0.545)	0.545
	5.244	**0.000**	**(1.124)**	**(4.120)**
Subtotal c/f	**(41.203)**	**5.611**	**(1.124)**	**36.716**

	Movement in general fund balance £m	Movement in capital grants unapplied account £m	Movement in capital receipts reserve £m	Movement in unusable reserves £m
Subtotal b/f	**(41.203)**	**5.611**	**(1.124)**	**36.716**
Adjustments primarily involving the Deferred Capital Receipts Reserve (Note 44)				
Movements required for Soft Loans advanced by the council for future cashflows	0.325	0.000	0.000	(0.325)
Adjustments primarily involving the Financial Instruments Adjustment Account (Note 44)				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(0.041)	0.000	0.000	0.041
Adjustments primarily involving the Pensions Reserve (Note 44)				
Reversal of items in relation to retirement benefits debited/(credited) to the CIES	(31.446)	0.000	0.000	31.446
Employer's pensions contributions and direct payments to pensioners payable in the year	23.659	0.000	0.000	(23.659)
Adjustments primarily involving the Collection Fund Adjustment Account (Note 44)				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	0.276	0.000	0.000	(0.276)
Adjustment primarily involving the Accumulated Absences Account (Note 44)				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable with statutory requirements	0.593	0.000	0.000	(0.593)
Total adjustments	**(47.837)**	**5.611**	**(1.124)**	**43.350**

23. Events after the balance sheet date

The statement of accounts were authorised for issue by the Chief Financial Officer on 24 September 2014. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The following disclosure is in accordance with IAS 10 – Events After the Reporting Period and is disclosed as a non-adjusting event.

The Bloxwich Church of England Primary School is anticipated to become academy schools within 2014/15 whereby the carrying value of £1.248m will be de-recognised from the council balance sheet.

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

24. Property, plant and equipment

Movement on balances

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

2013/14 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 2013	122.554	224.843	27.159	142.771	2.221	14.406	1.588	**535.542**	18.096
Additions	0.710	6.300	3.680	8.739	1.633	0.090	5.345	**26.497**	0.000
Acc Depreciation & Impairment Written Out to Gross Carrying Value	(0.026)	(14.415)	0.000	0.000	0.000	0.000	0.000	**(14.441)**	0.000
Revaluation increases/ (decreases) recognised in the revaluation reserve	3.257	8.760	0.000	0.000	0.000	0.036	0.000	**12.053**	0.000
Revaluation increases/ (decreases) recognised in the surplus/ (deficit) on the provision of services	(5.536)	(7.758)	0.000	0.000	0.000	0.000	0.000	**(13.294)**	0.000
Derecognition - disposals	(3.636)	(8.518)	(3.010)	0.000	0.000	(0.121)	0.000	**(15.285)**	0.000
Derecognition - other	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**	0.000
Assets reclassified (to)/ from held for sale	0.013	0.060	0.000	0.000	0.000	(7.309)	0.030	**(7.206)**	0.000
Other movements in cost of valuation	(0.500)	1.102	0.000	0.000	0.500	0.000	(1.102)	**0.000**	0.000
Total cost movements in 2013/14	**(5.718)**	**(14.469)**	**0.670**	**8.739**	**2.133**	**(7.304)**	**4.273**	**(11.676)**	**0.000**
As at 31 March 2014	**116.836**	**210.374**	**27.829**	**151.510**	**4.354**	**7.102**	**5.861**	**523.866**	**18.096**

	Operational buildings £m	Operational land £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 2014	**116.836**	**210.374**	**27.829**	**151.510**	**4.354**	**7.102**	**5.861**	**523.866**	**18.096**
Depreciation									
As at 31 March 2013	0.000	(7.361)	(19.415)	(81.531)	(2.221)	(0.125)	(0.012)	**(110.665)**	(6.460)
Depreciation charge for the year	(0.126)	(7.339)	(3.021)	(5.033)	0.000	(0.015)	0.000	**(15.534)**	(0.604)
Acc Dep & Imp Written Out to Gross Carrying Value	0.026	14.414	0.000	0.000	0.000	0.000	0.000	**14.440**	0.000
Impairment losses / (reversals) recognised in the revaluation reserve	(0.049)	(0.448)	0.000	0.000	0.000	(0.033)	0.000	**(0.530)**	0.000
Impairment losses / (reversals) recognised in the surplus / (deficit) on the provision of services	(0.183)	(0.751)	(0.042)	(0.377)	(0.360)	(0.068)	(0.011)	**(1.792)**	0.000
Derecognition - disposals	0.002	0.381	2.554	0.000	0.000	0.074	0.000	**3.011**	0.000
Derecognition - other	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**	0.000
Assets reclassified (to)/from Assets Held for Sale	0.000	0.000	0.000	0.000	0.000	0.019	0.000	**0.019**	0.000
Other movements	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**	0.000
Total depreciation movements in 2013/14	**(0.330)**	**6.257**	**(0.509)**	**(5.410)**	**(0.360)**	**(0.023)**	**(0.011)**	**(0.386)**	**(0.604)**
As at 31 March 2014	**(0.330)**	**(1.104)**	**(19.924)**	**(86.941)**	**(2.581)**	**(0.148)**	**(0.023)**	**(111.051)**	**(7.064)**
Net book value at 31 March 2014	**116.506**	**209.270**	**7.905**	**64.569**	**1.773**	**6.954**	**5.838**	**412.815**	**11.032**
Net book value at 31 March 2013	**122.554**	**217.482**	**7.744**	**61.240**	**0.000**	**14.281**	**1.576**	**424.877**	**11.636**

2012/13 Comparatives

	Operational buildings £m	Operational land £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 2012	139.603	225.849	23.254	138.288	0.000	16.290	3.179	**546.463**	18.096
Additions	1.695	9.151	5.505	4.483	2.221	0.209	3.804	**27.068**	0.000
Acc Depreciation & Impairment Written Out to Gross Carrying Value	(0.369)	(15.587)	0.000	0.000	0.000	(0.153)	0.000	**(16.109)**	0.000
Revaluation increases/ (decreases) recognised in the revaluation reserve	4.157	10.943	0.000	0.000	0.000	(0.015)	0.000	**15.085**	0.000
Revaluation increases/ (decreases) recognised in the surplus/ (deficit) on the provision of services	(6.642)	12.310	0.000	0.000	0.000	(0.975)	0.000	**4.693**	0.000
Derecognition - disposals	(14.844)	(23.172)	(1.598)	0.000	0.000	(0.228)	0.000	**(39.842)**	0.000
Derecognition - other	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**	0.000
Assets reclassified (to)/ from held for sale	(0.096)	(0.282)	0.000	0.000	0.000	(1.510)	0.000	**(1.888)**	0.000
Other movements in cost of valuation	(0.950)	5.631	(0.002)	0.000	0.000	0.788	(5.395)	**0.072**	0.000
Total cost movements in 2012/13	**(17.049)**	**(1.006)**	**3.905**	**4.483**	**2.221**	**(1.884)**	**(1.591)**	**(10.921)**	**0.000**
As at 31 March 2013	**122.554**	**224.843**	**27.159**	**142.771**	**2.221**	**14.406**	**1.588**	**535.542**	**18.096**

	Operational buildings £m	Operational land £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 2013	**122.554**	**224.843**	**27.159**	**142.771**	**2.221**	**14.406**	**1.588**	**535.542**	**18.096**
Depreciation									
As at 31 March 2012	(0.289)	(11.921)	(17.029)	(76.452)	0.000	(0.117)	0.000	**(105.808)**	(5.856)
Depreciation charge for the year	(0.084)	(7.639)	(3.509)	(4.771)	0.000	(0.035)	0.000	**(16.038)**	(0.604)
Acc Dep & Imp Written Out to Gross Carrying Value	0.369	15.587	0.000	0.000	0.000	0.153	0.000	**16.109**	0.000
Impairment losses / (reversals) recognised in the revaluation reserve	(0.008)	(1.538)	0.000	0.000	0.000	(0.037)	0.000	**(1.583)**	0.000
Impairment losses / (reversals) recognised in the surplus / (deficit) on the provision of services	0.000	(2.670)	(0.197)	(0.308)	(2.221)	(0.108)	(0.012)	**(5.516)**	0.000
Derecognition - disposals	0.008	0.863	1.322	0.000	0.000	0.008	0.000	**2.201**	0.000
Derecognition - other	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**	0.000
Assets reclassified (to)/from Assets Held for Sale	0.004	0.032	0.000	0.000	0.000	0.003	0.000	**0.039**	0.000
Other movements	0.000	(0.075)	(0.002)	0.000	0.000	0.008	0.000	**(0.069)**	0.000
Total depreciation movements in 2012/13	**0.289**	**4.560**	**(2.386)**	**(5.079)**	**(2.221)**	**(0.008)**	**(0.012)**	**(4.857)**	**(0.604)**
As at 31 March 2013	**0.000**	**(7.361)**	**(19.415)**	**(81.531)**	**(2.221)**	**(0.125)**	**(0.012)**	**(110.665)**	**(6.460)**
Net book value at 31 March 2013	**122.554**	**217.482**	**7.744**	**61.240**	**0.000**	**14.281**	**1.576**	**424.877**	**11.636**
Net book value at 31 March 2012	**139.314**	**213.928**	**6.225**	**61.836**	**0.000**	**16.173**	**3.179**	**440.655**	**12.240**

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Land (car parks) and Buildings – 10-80 years
Vehicles, Plant and Equipment – 5-10 years
Infrastructure – 25-30 years

Capital commitments

At 31 March 2014, the council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2014/15 and future years which are budgeted to cost £19.427m. Similar commitments at 31 March 2013 were £16.416m. The major commitments are shown in the following table:

Projects	Council funded £m	Externally funded £m	Total 2013/14 £m
Academies	0.000	2.902	**2.902**
Investment in school buildings	0.000	4.238	**4.238**
Pelsall library, childrens centre and health centre	0.000	0.144	**0.144**
Eldon House	0.000	0.020	**0.020**
Highways maintenance and improvements	0.000	0.102	**0.102**
Environmental regeneration schemes	0.362	0.937	**1.299**
Preventative adaptations & Supported independent living	0.340	0.000	**0.340**
Aids and adaptations	0.802	0.000	**0.802**
Investment in allotments	0.053	0.000	**0.053**
Health Through Warmth	0.382	0.000	**0.382**
Primark & Co-op development	5.933	0.000	**5.933**
Young peoples centre	0.000	0.019	**0.019**
Walsall arboretum restoration programme	2.317	0.000	**2.317**
Department of Health Capital Allocation	0.000	0.068	**0.068**
Other	0.595	0.213	**0.808**
	10.784	**8.643**	**19.427**

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 2013/14 was 31 March 2014. These valuations were carried out in house by the council's Estates and Property Manager, S D Law 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 and Surplus assets have been valued on an existing use value basis except where the assets are specialised
- 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 2013 and inflation applied to these prices for 2013/14
- Assets under construction have been valued on a cost basis
- Infrastructure and community assets have been valued on a depreciated historic cost basis.

25. Accounting for local government schools

Within Walsall Council, maintained schools are broken down between 61 community schools (value of £174,567m), 9 voluntary controlled schools (value of £14,845m), 13 voluntary aided schools (value of £0m) and 4 foundation schools (value of £0m).

The treatment of land and buildings for each type of school is based on the legal framework underlying each type of school. The council controls the management and running of community and voluntary controlled schools and therefore the land and buildings of those schools are separately shown on the council's balance sheet. The land and buildings of voluntary aided and foundation schools are owned and controlled by the trustees of the schools or the foundation body and are therefore not shown on the balance sheet of the council.

Capital expenditure on community and voluntary controlled schools is added to the balances for those schools as reported in property, plant and equipment (note 24). Capital expenditure on voluntary aided and foundation schools is treated as revenue from capital under statute expenditure and written off each year to the comprehensive income and expenditure statement within education and children's services.

Dedicated Schools Grant (DSG) is credited to the comprehensive income and expenditure statement within taxation and non-specific income based on amounts due from the Department for Education for 2013/14.

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 comprehensive income and expenditure statement under education and children's services.

Individual schools' balances at 31 March 2014 are included in the balance sheet of the council under the earmarked reserves heading.

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.

26. Heritage assets

Reconciliation of the carrying value of heritage assets held by the council

2013/14 Actuals

	Art Collections £m	Museum Collections £m	Civic Regalia £m	Total £m
Cost/valuation				
As at 1 April 2013	**15.598**	**1.950**	**0.223**	**17.771**
Additions	0.039	-	-	0.039
Revaluations	0.008	-	-	0.008
Balance as at 31 March 2014	**15.645**	**1.950**	**0.223**	**17.818**

2012/13 Comparatives

	Art Collections £m	Museum Collections £m	Civic Regalia £m	Total £m
Cost/valuation				
As at 1 April 2012	**14.552**	**1.950**	**0.223**	**16.725**
Additions	1.008	-	-	1.008
Revaluations	0.038	-	-	0.038
Balance as at 31 March 2013	**15.598**	**1.950**	**0.223**	**17.771**

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', and Vincent van Gogh's 'Sorrow'.

Museum collections
The council's museum collections are included in the balance sheet at insurance valuation based on market values. The most valuable items in the collection have recently been valued by professional valuers. 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 number of additions of art works during 2013/14. These have been added to the relevant collections. None of these works are classed as being significant individually. However the total valued amount added was £0.039 million.

Disposal of heritage assets

There were no disposals of heritage assets during 2013/14.

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.

27. 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 excludes 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 Walsall Museum and 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 are detailed below.

Local history archive

The local history archive is a depository for a wide range of records and material relating to the history of Walsall including council minutes, accounting records for local firms, chapel registers, census records, photographs and maps. The archive is housed within the local history centre. Further information is available on the local history centre's website:

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

Statues

The council has four statues around the borough including full figure bronze of nursing pioneer Sister Dora, reputed to be the first statue erected of a non royal woman and a bronze bust of Victoria Cross holder John Henry Carless V.C, who was awarded this during World War I.

War Memorials

The council has a number of war memorials around the borough. There are a number within the Council House, Walsall including one to the borough's three Victoria Cross holders, and other memorials to Walsall residents who lost their lives during various conflicts. There are also the Cenotaph in Bradford Place, Walsall, and the War memorial in Victoria Park, Darlaston, which are both Grade II listed buildings. Other towns and villages within the borough also have their own war memorials.

Memorial clocks

The council has a number of memorial and town clocks around the borough. These include the pillar clock which is located on the Bridge, Walsall, Arboretum Memorial Clock, Walsall and the grade II listed Town Clock on Market Place, Willenhall.

Public art

Around the borough the council has over the years commissioned a number of public art works. These have been commissioned as a result of town regeneration projects. Notable examples of these art works include the Hippo, Water Fountain and Saddle on the Bridge, Walsall and the Miner, Brownhills.

Preservation and management

Art Gallery

The New Art Gallery Walsall has a rolling programme of major repair and restoration of its artifacts. The collection is managed in accordance with SPECTRUM guidelines and with policies that are approved by the council, including acquisitions and disposals. Further information on the New Art Gallery policies is provided on the galleries website.

www.thenewartgallerywalsall.org.uk

Museum
The condition of items in the museum collection is continuously monitored, with the emphasis being on preventive conservation through the control and management of the environment in which items are stored and displayed e.g. by controlling light levels and minimising the risk of damage through handling and moving. Both Walsall Museum and Walsall Leather Museum have undergone the process of museum accreditation. Both museums are fully accredited by the Arts Council MLA.

28. Investment properties

Within the financing and investment income and expenditure line in the council's comprehensive income and expenditure account (Note 7 page 43) there is £0.173m rental income (2012/13 £0.175m) and £0.009m operating expenses (2012/13 £0.009m) arising from the council's investment property portfolio giving a net gain to the council of £0.164m (2012/13 £0.166m).

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.

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

2012/13 £m		**2013/14 £m**
1.839	Balance at start of the year	1.715
	Additions	
0.001	Subsequent capital expenditure	0.000
(0.001)	Disposals	0.000
(0.124)	Net gains/(losses) from fair value adjustments	(0.144)
	Transfers	
0.000	(to)/from assets held for sale	0.010
(0.124)	**Total movements in year**	**(0.134)**
1.715	**Balance at end of the year**	**1.581**

29. 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 accounted for as part of the hardware item of property, plant and equipment. The intangible assets include purchased software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the council. The useful life assigned to the major software suites used by the council is 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.301 m charged to revenue in 2013/14 (£0.347 m 2012/13) was charged to the IT administration cost centre and then absorbed as an overhead across all the service headings in the net cost of services.

The movement on intangible asset balances during the year is as follows:

2012/13 £m		2013/14 £m
	Balance at start of year	
1.893	- Gross carrying amounts	1.946
(0.916)	- accumulated amortisation	(1.263)
	Additions	
0.102	- purchase	0.222
0.000	Other disposals	(0.001)
(0.049)	Impairment losses recognised in the surplus/deficit on the provision of services	(0.015)
(0.347)	Amortisation for the year	(0.301)
(0.294)	**Total movements in the year**	**(0.095)**
0.683	**Net carrying amount at end of the year**	**0.588**
	Comprising:	
1.946	- Gross carrying amounts	2.152
(1.263)	- accumulated amortisation	(1.564)
0.683	**Net book value at 31 March**	**0.588**

A breakdown of the remaining useful lives for intangible assets is as follows:

	Carrying amount		Remaining Amortisation Period
	31 March 2013 £m	31 March 2014 £m	31 March 2014
Software licences	0.000	0.158	1 years
Software licences	0.013	0.000	2 years
Software licences	0.152	0.076	3 years
Software licences	0.475	0.316	4 years
Software licences	0.042	0.038	5 years
Data base licences	0.001	0.000	2 years
Total	**0.683**	**0.588**	

30. 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.

2012/13 Current £m		2013/14 Current £m
4.280	**Balance outstanding at start of year**	**3.088**
	Assets newly classified as held for sale:	
1.899	Property, plant and equipment	7.342
	Assets de-classified as held for sale:	
(0.050)	Property, plant and equipment	(0.155)
0.000	Investment Properties	(0.010)
	Revaluations and impairments	
(0.367)	Revaluation losses	(0.011)
	Other movements	
(2.674)	Assets sold	(0.957)
0.000	Other movements	0.010
3.088	**Balance outstanding at year-end**	**9.307**

31. 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. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the capital financing requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. The CFR is analysed in the second part of this note.

2012/13 £m		2013/14 £m
299.452	Opening capital financing requirement	305.908
	Capital investment	
27.068	Property, plant and equipment	26.497
0.001	Investment property	0.000
1.008	Heritage assets	0.039
24.993	Revenue expenditure funded from capital under statute	13.186
0.102	Intangible assets	0.222
53.172		**39.944**
	Sources of finance	
(4.625)	Capital receipts	(3.342)
(32.577)	Government grants and contributions	(25.590)
	Sums set aside from revenue	
(0.156)	Direct revenue contributions	(1.935)
(9.358)	Minimum revenue provision	(13.956)
(46.716)		**(44.823)**
305.908	**Closing capital financing requirement**	**301.029**
	Explanation of movements in year	
5.121	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(4.879)
1.335	Assets acquired under finance lease	0.000
6.456	**Increase/(decrease) in capital financing requirement**	**(4.879)**

There has been a reduction in revenue expenditure funded from capital under statute during 2013/14 due to a reduction in spend on new academy school buildings. There has also been a corresponding reduction in the amount of government grants and contributions.

There has been a reduction in the underlying need for the council to borrow due to a reduction in capital spend and an increase in the amount set aside through the minimum revenue provision.

32. Leases

Council as lessee

Finance leases

The council has acquired a number of vehicles and reprographic/printing equipment under finance lease.

The assets acquired under these leases are carried as property, plant and equipment in the balance sheet at the following net amounts:

31 March 2013 £m		31 March 2014 £m
2.479	Vehicles, plant, furniture and equipment	1.337
2.479	**Total**	**1.337**

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 2013 £m		31 March 2014 £m
	<u>Finance lease liabilities (net present value of minimum lease payments):</u>	
0.791	- current	0.378
1.250	- non-current	1.023
0.505	Finance costs payable in future years	0.413
2.546	**Minimum lease payments**	**1.814**

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

	Minimum lease payments			Finance lease liabilities	
	31 March 2013 £m	31 March 2014 £m		31 March 2013 £m	31 March 2014 £m
Not later than one year	0.944	0.513		0.791	0.378
Later than one year and not later than five years	1.012	0.829		0.788	0.656
Later than five years	0.590	0.472		0.462	0.367
	2.546	**1.814**		**2.041**	**1.401**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2013/14 no contingent rents were payable by the council (2012/13 £nil).

The council has sub-let some of the vehicles held under these finance leases. At 31 March 2014 the minimum payments expected to be received under non-cancellable sub-leases was £nil (£nil at 31 March 2013).

Operating leases
The council has acquired vehicles, equipment and property by entering into operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2013 £m		31 March 2014 £m
0.871	Not later than one year	1.016
1.329	Later than one year and not later than five years	1.460
2.706	Later than five years	2.789
4.906	**Total**	**5.265**

The council has sub-let some of the vehicles held under these operating leases. At 31 March 2014 the minimum payments expected to be received under non-cancellable sub-leases was £0.125m (£0.115m at 31 March 2013).

The expenditure charged to the net cost of services in the comprehensive income and expenditure statement during the year in relation to these leases was:

2012/13 £m		2013/14 £m
1.145	Minimum lease payments	1.510
0.105	Contingent rents	0.145
(0.115)	Sublease payments received	(0.125)
1.135	**Total**	**1.530**

Council as lessor

Finance leases
The council has leased out five properties across the borough on a finance lease. The remaining life of leases range from 14 to 93 years.

The council has a gross investment in these leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2013 £m		31 March 2014 £m
	Finance lease debtor (net present value of minimum lease payments):	
0.004	- current	0.005
0.050	- non-current	0.041
0.069	Unearned finance income	0.052
0.044	Unguaranteed residual value of the property	0.044
0.167	**Gross investment in leases**	**0.142**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross investment in leases			Minimum lease payments	
	31 March 2013 £m	31 March 2014 £m		31 March 2013 £m	31 March 2014 £m
Not later than one year	0.013	0.013		0.013	0.013
Later than one year and not later than five years	0.055	0.038		0.055	0.038
Later than five years	0.100	0.091		0.056	0.047
	0.168	**0.142**		**0.124**	**0.098**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2013/14 £0.003m contingent rents were receivable by the council (2012/13 £0.002m).

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 2013 £m		31 March 2014 £m
0.391	Not later than one year	0.312
0.798	Later than one year and not later than five years	0.769
7.287	Later than five years	7.260
8.476	**Total**	**8.341**

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. In 2013/14 £0.047m contingent rents were receivable by the council (2012/13 £0.014m).

33. Private finance initiatives and similar contracts

St Thomas More School

2013/14 was the tenth 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 and foundation 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 2014/15	2.199
Payable within two to five years	9.244
Payable within six to ten years	12.634
Payable within eleven to fifteen years	11.048
Total	**35.125**

Public street lighting

2013/14 was the twelfth 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 Street Lighting.

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 24.

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 2014 (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 2014/15	2.259	0.688	0.101	3.048
Payable within two to five years	10.115	2.246	0.325	12.686
Payable within six to ten years	14.01	2.767	0.255	17.032
Payable within eleven to fifteen years	12.535	2.335	0.075	14.945
Total	**38.919**	**8.036**	**0.756**	**47.711**

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:

2012/13 £m		2013/14 £m
(9.451)	Balance outstanding at start of year	(8.736)
0.715	Payments during the year	0.701
(8.736)	**Balance outstanding at year-end**	**(8.035)**

Housing 21

2013/14 was the sixth 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 10 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 2014/15 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 2014/15	8.085
Payable within two to five years	34.410
Payable within six to ten years	48.079
Payable within eleven to fifteen years	54.397
Payable within sixteen to twenty years	61.545
Payable within twenty one to twenty four years	55.010
Total	**261.526**

34. Impairment losses

During 2013/14, the council has recognised an impairment loss of £1.431m in relation to its operational land and buildings, £0.042m in relation to vehicles, plant and equipment, £0.101m in relation to surplus assets, £0.011 in relation to assets under construction, £0.377m in relation to infrastructure assets and £0.360m in relation to community assets. These impairments are where capital expenditure has not added a pound for pound increase in the value of the properties but has enhanced and/or upgraded the fabric of the building. The impairment loss has been charged to the net cost of services in the comprehensive income and expenditure statement or revaluation reserve where there is an existing balance.

35. Financial instruments

Categories of financial instruments

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

2012/13			2013/14	
Long term £m	Current £m		Long term £m	Current £m
		Investments		
14.182	124.582	Loans and receivables	14.735	125.286
19.334	0.000	Available for sale financial assets	19.334	0.000
33.516	**124.582**	**Total investments**	**34.069**	**125.286**
		Debtors		
10.158	0.000	Loans and receivables	9.816	0.000
0.000	48.029	Financial assets carried at contract amounts	0.000	53.408
10.158	**48.029**	**Total debtors**	**9.816**	**53.408**
		Borrowings		
(266.145)	(0.809)	Financial liabilities at amortised cost	(255.283)	(0.540)
(266.145)	**(0.809)**		**(255.283)**	**(0.540)**
		Creditors		
0.000	(51.350)	Financial liabilities carried at contract cost	0.000	(51.587)
0.000	**(51.350)**	**Total creditors**	**0.000**	**(51.587)**

The loans and receivables investments consist of investments with commercial banks. Of the short term investments £97.596m (£120.702m 2012/13) consist of maturity investments and £27.690m (£3.880m 2012/13) are classed as cash equivalents (see note 39 page 95).

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% (£17.776m) 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 £15.657m of BAH's 6.31% preference shares, of which Walsall Council owns £1.558m. These are cumulative and irredeemable.

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

Income, expense, gains and losses

2012/13					2013/14			
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
(14.263)	0.000	0.000	(14.263)	Interest expense	(12.675)	0.000	0.000	(12.675)
(14.263)	**0.000**	**0.000**	**(14.263)**	**Total expense in surplus/deficit on the provision of services**	**(12.675)**	**0.000**	**0.000**	**(12.675)**
0.000	3.977	0.758	4.735	Interest income	0.000	1.800	4.470	6.270
0.000	**3.977**	**0.758**	**4.735**	**Total income in surplus/deficit on the provision of services**	**0.000**	**1.800**	**4.470**	**6.270**
0.000	0.000	0.000	0.000	Gains on revaluation	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	Losses on revaluation	0.000	0.000	0.000	0.000
0.000	**0.000**	**0.000**	**0.000**	**Surplus/ (deficit) arising on revaluation of financial assets in other comprehensive income and expenditure**	**0.000**	**0.000**	**0.000**	**0.000**
(14.263)	**3.977**	**0.758**	**(9.528)**	**Net gain/ (loss) in year**	**(12.675)**	**1.800**	**4.470**	**(6.405)**

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, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2014 of 0.71% to 3.39% for loans from the PWLB and 4.38% to 4.68% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to be approximately fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

2012/13			2013/14	
Carrying Amount £m	Fair Value £m		Carrying Amount £m	Fair Value £m
(118.292)	(157.913)	PWLB loans	(108.227)	(139.369)
(24.135)	(24.135)	Other local authority debt	(23.150)	(28.551)
(0.092)	(0.092)	Individuals	(0.090)	(0.090)
(123.626)	(137.546)	Private sector loans	(123.816)	(128.925)
(266.145)	**(319.686)**	**Financial liabilities**	**(255.283)**	**(296.935)**

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 2014) arising from a commitment to pay interest to lenders above current market rates.

2012/13			2013/14	
Carrying Amount £m	Fair Value £m		Carrying Amount £m	Fair Value £m
14.182	14.569	Long term investments	14.735	14.741
124.582	126.513	Short term investments	125.286	125.741
19.334	19.334	Available for sale financial assets	19.334	19.334
10.158	10.158	Long term debtors	9.816	9.816
168.256	**170.574**	**Financial assets**	**169.171**	**169.632**

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 2014) 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

£19.334 million has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made based on an analysis of the assets and liabilities in the Company's latest audited accounts and an assessment of future trading prospects. If future valuations showed a 1% movement in the investment valuation then the fair value will be £0.193m higher or lower respectively.

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

36. 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 21 February 2013 and is available on the council website. The key issues within the strategy were:

- The authorised limit for the 2013/14 was set at £351.207m. This is the maximum limit of external borrowings or other long term liabilities
- The operational boundary was set at £308.866m. 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 91.

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. They were approved by Audit Committee on 14 January 2013 in relation to 2013/14.

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, Moodys and Standard and Poor's (S&P).
- 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

The primary credit ratings scales for Fitch, Moody's, Standard and Poor's which are used are shown below.

Minimum ratings	Fitch	Moodys	S&P
Short term	F1	P1	A-2
Long term	A	A	A

Customers for goods and services 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 of £139.295m 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 at the 31 March 2014 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.

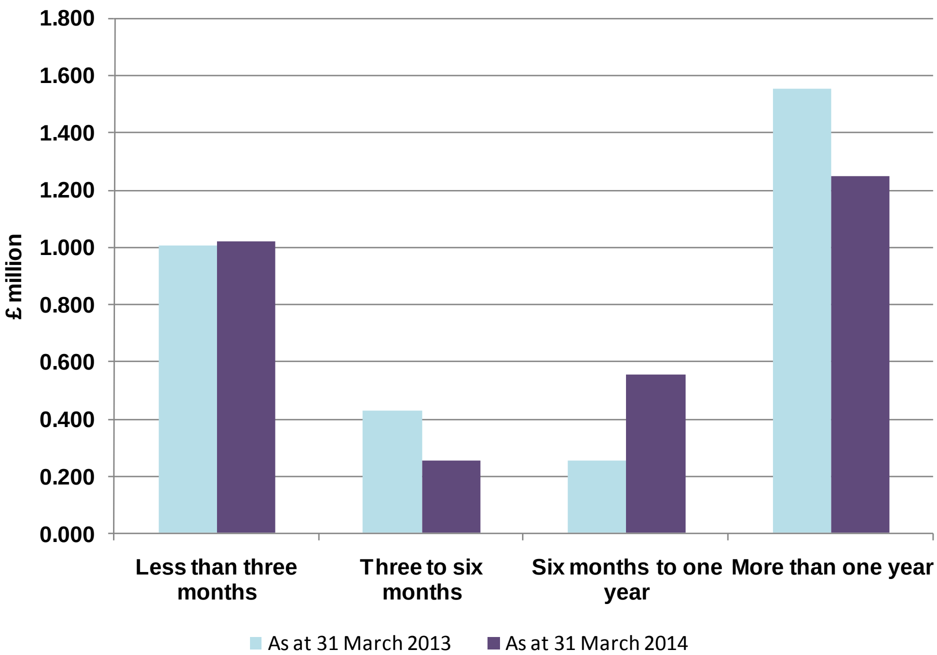
Bonds rated:	Amount as at 31 March 2014 £m	Historical experience of default as at 31 March 2014 %	Adjustment for market conditions as at 31 March 2014 %	Estimated maximum exposure to default as at 31 March 2014 £m	Estimated maximum exposure to default as at 31 March 2013 £m
AAA	33.690	0.00%	0.00%	0.000	0.000
AA	20.000	0.02%	0.02%	0.004	0.006
A	14.605	0.09%	0.09%	0.013	0.017
BBB	10.000	1.42%	0.23%	0.142	0.540
Unrated Building Societies	61.000				
Trade debtors	17.202	Local experience	Local experience	Local experience	Local experience
Total	**156.497**				

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 it's counterparties in relation to deposits and bonds.

The council does not generally allow credit for its trade debtors, such that £3.070m of the £4.588m balance is past its due date for payment. The 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:

	2012/13 £m	2013/14 £m
Less than one year	124.659	125.521
Between one and two years	13.105	4.500
Between two and five years	1.000	10.000
More than five years	29.492	29.150
Total	**168.256**	**169.171**

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 87):

	Approved minimum limits £m	Approved maximum limits £m	Actual 31 March 2014 £m	Actual 31 March 2013 £m
Less than 1 year	0.000	63.821	**18.576**	38.482
Between 1 and 2 years	0.000	63.821	**12.000**	25.000
Between 2 and 5 years	0.000	63.821	**75.000**	65.598
Between 5 and 10 years	25.528	127.642	**44.541**	29.541
More than 10 years	102.113	216.991	**105.166**	107.524
Total			**255.283**	**266.145**

Within the maturity profile there are a number of LOBO loans. The next call date on a LOBO 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 between 2 and 5 years. 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 comprehensive income and expenditure statement 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 comprehensive income and expenditure statement 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 the other comprehensive income and expenditure statement.

The council has a number of strategies for managing interest rate risk. The annual treasury management strategy draws together 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	0.150
Increase in interest receivable on variable rate investments	(0.277)
Increase in government grant receivable for financing costs	0.000
Impact on surplus or (deficit) on the provision of services	(0.127)
Decrease in fair value of fixed rate investment assets	0.000
Impact on other comprehensive income and expenditure	0.000
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	0.000

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 16 – fair value of assets and liabilities carried at amortised cost.

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 £19.334m in Birmingham Airport (£17.776m ordinary shares and £1.558m 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 £0.967m 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.

37. Inventories

This table shows the value of inventories held by the council to assist in the delivery of its services.

2013/14 actuals

	Disinfestation stores £m	Reprographics £m	Small tools and plant £m	Stationery £m	Trading operations £m	Miscellaneous £m	Total £m
Balance outstanding at the start of the year	0.012	0.017	0.007	0.000	0.144	0.965	**1.145**
Purchases	0.007	0.000	0.061	0.050	1.183	3.536	**4.837**
Recognised as expense during the year	(0.007)	(0.006)	(0.053)	(0.048)	(1.205)	(3.750)	**(5.069)**
Written off balances	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Balance outstanding at year-end	**0.012**	**0.011**	**0.015**	**0.002**	**0.122**	**0.751**	**0.913**

2012/13 comparatives

	Disinfestation stores £m	Reprographics £m	Small tools and plant £m	Stationery £m	Trading operations £m	Miscellaneous £m	Total £m
Balance outstanding at the start of the year	0.012	0.020	0.006	0.004	0.136	0.524	**0.702**
Purchases	0.004	0.000	0.000	0.009	1.620	1.130	**2.763**
Recognised as expense during the year	(0.004)	0.000	0.001	(0.011)	(1.612)	(0.687)	**(2.313)**
Written off balances	0.000	(0.003)	0.000	(0.002)	0.000	(0.002)	**(0.007)**
Balance outstanding at year-end	**0.012**	**0.017**	**0.007**	**0.000**	**0.144**	**0.965**	**1.145**

38. Debtors

This table shows the amounts owed to the council for which payments have not been received by 31 March 2014, but which should be paid within one year.

2012/13 £m		2013/14 £m
0.569	Capital debtors	3.048
8.611	Central government bodies	8.308
0.351	Other local authorities	0.694
3.177	NHS bodies	3.067
0.069	Public corporations and trading funds	0.000
42.040	Other entities and individuals	43.354
54.817	**Total**	**58.471**
(13.663)	Provision for bad and doubtful debts	(18.923)
41.154	**Total**	**39.548**

Within other entities and individuals £1.442m (£1.355m in 2012/13) 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.

2012/13 £m		2013/14 £m
(6.949)	Council Tax	(7.750)
0.000	NNDR	(3.201)
(6.714)	Other debtors	(7.972)
(13.663)	**Total**	**(18.923)**

Changes to the accounting treatment for NNDR introduced during 2013/14 are described in more detail on page 110.

39. Cash and cash equivalents

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

2012/13 £m		2013/14 £m
0.050	Cash held by the council	0.050
(0.045)	Bank current accounts	(1.497)
3.880	Short term deposits	27.690
3.885	**Total**	**26.243**

Short term deposits have increased due to the councils treasury management strategy.

40. Creditors

This table shows the amounts owed by the council for which payments have not been paid by 31 March 2014, but which should be paid within one year.

2012/13 Restated £m		2013/14 £m
(7.642)	Central government bodies	(11.724)
(3.923)	Other local authorities	(4.946)
(2.108)	NHS bodies	(2.802)
(37.551)	Other entities and individuals	(34.276)
(3.233)	Capital creditors	(2.367)
(54.457)	**Total**	**(56.115)**

In accordance with IAS8 Accounting Policies, Changes in Accounting Estimates and Errors, prior year comparatives have been updated for the above table to enable consistency across the years.

41. 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	CRC Allowances £m	Insurance Fund £m	Pensions and Redundancy £m	Other £m	Total £m
Balance at 1 April 2013	(6.271)	(0.416)	(0.923)	(0.557)	(0.506)	**(8.673)**
Additional provisions made in 2013/14	(0.455)	(0.440)	(1.809)	(0.544)	(0.043)	**(3.291)**
Amounts used in 2013/14	2.311	0.416	1.417	0.504	0.394	**5.042**
Unused amounts reversed in 2013/14	0.127	0.000	0.000	0.052	0.024	**0.203**
Balance at 31 March 2014	**(4.288)**	**(0.440)**	**(1.315)**	**(0.545)**	**(0.131)**	**(6.719)**

Back pay

During 2013/14 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 297 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.

Carbon reduction commitment (CRC) allowances

2013/14 is the third year for which there is an obligation to purchase and surrender carbon reduction commitment (CRC) allowances in relation to carbon dioxide emissions. Following submission of an annual report on our emissions to Department of Energy and Climate Change, purchases and surrender of the allowances will take place between 1st – 19th September 2014 in relation to 2013/14 emissions. A provision has been created of £0.440m (£0.416m 2012/13) for the expected costs of the allowances.

Insurance fund

The council has an established insurance fund to cover excesses on claims. These outstanding claims amount to £5.391m and are at various stages of being addressed and it is therefore unclear when settlement might be made. However, based on claim settlement profiles, projected settlements are estimated at £1.315m (£0.923m 2012/13) for which a provision is held to cover this.

Pensions and redundancy costs

The council has created an additional provision of £0.544m for pension and redundancy costs in relation to restructures undertaken during 2013/14. During 2013/14 £0.504m was charged against this provision and £0.052m was reversed as unused leaving £0.545m carried forward to 2014/15 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.

Other

In addition to the above provisions the council holds £0.131m (£0.506m 2012/13) 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	CRC Allowances £m	Insurance Fund £m	Pensions and Redundancy £m	Other £m	Total £m
Less than 1 year	(4.288)	(0.440)	0.000	(0.545)	(0.131)	**(5.404)**
1-2 years	0.000	0.000	(1.315)	0.000	0.000	**(1.315)**
Balance at 31 March 2014	**(4.288)**	**(0.440)**	**(1.315)**	**(0.545)**	**(0.131)**	**(6.719)**

42. Other long term liabilities

Other long term liabilities represent the outstanding liabilities greater than one year for finance leases and PFI contracts, and the net pension liability for the council.

2012/13 £m		2013/14 £m
(2.216)	Deferred liabilities - finance leases	(1.681)
(8.035)	Deferred liabilities - PFI	(7.347)
(480.797)	Net liability related to defined benefit pension scheme	(426.721)
(491.048)	**Total**	**(435.749)**

For further details on the movement in the defined benefit pension scheme please see page 51.

43. Usable reserves

Movements in the council's usable reserves can be found in the movement in reserves statement (page 20). The movement in reserve notes shows the details for the council's earmarked reserves.

2012/13 £m		2013/14 £m
(16.612)	General fund reserve	(14.865)
(115.010)	Earmarked reserves	(132.192)
(26.583)	Capital grants unapplied account	(18.338)
(7.085)	Capital receipts reserve	(5.652)
(165.290)	**Total**	**(171.047)**

Capital grants unapplied account

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

2012/13 £m		2013/14 £m
(32.194)	Balance brought forward	(26.584)
(8.031)	Current year capital grants unapplied credited from comprehensive income and expenditure statement	(6.761)
13.636	Prior year capital grants applied against capital expenditure	15.006
0.005	Reclaim of grant in 2012/13	0.000
(26.584)	**Total**	**(18.339)**

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.

2012/13 £m		**2013/14 £m**
(5.961)	Balance brought forward	(7.085)
(5.221)	Capital receipts received during the year	(1.904)
(0.545)	Capital receipts released from deferred capital receipts	(0.017)
4.625	Capital receipts applied against capital expenditure	3.342
0.017	Capital receipts paid to CLG for pooling of housing capital receipts	0.012
(7.085)	**Total**	**(5.652)**

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 2013/14.

	Balance as at 31/03/2012 £m	Transfers in 2012/13 £m	Transfers out 2012/13 £m	Balance as at 31/03/2013 £m	Transfers in 2013/14 £m	Transfers out 2013/14 £m	Balance as at 31/03/2014 £m
Nursery schools	(0.337)	(0.382)	0.399	**(0.320)**	(0.290)	0.425	**(0.185)**
Primary schools	(6.001)	(8.884)	7.603	**(7.282)**	(9.397)	9.170	**(7.509)**
Secondary schools	(2.314)	(0.703)	2.315	**(0.702)**	(1.136)	0.704	**(1.134)**
Special schools	(1.339)	(1.631)	1.338	**(1.632)**	(2.276)	1.631	**(2.277)**
Foundation schools	(2.104)	(0.527)	0.888	**(1.743)**	0.000	0.166	**(1.577)**
School balances	**(12.095)**	**(12.127)**	**12.543**	**(11.679)**	**(13.099)**	**12.096**	**(12.682)**
Grant funding receipts in advance under IFRS	(10.004)	(6.840)	6.614	**(10.230)**	(3.106)	5.911	**(7.425)**
Business rates retention scheme	(1.014)	0.000	0.000	**(1.014)**	0.000	0.000	**(1.014)**
Walsall works	0.000	(2.010)	0.000	**(2.010)**	0.000	0.544	**(1.466)**
Treasury commutation	(5.120)	0.000	0.000	**(5.120)**	0.000	0.000	**(5.120)**
Carbon management reduction programme	(0.841)	(0.190)	0.007	**(1.024)**	(0.187)	0.248	**(0.963)**
Education transition	(0.903)	(0.061)	0.000	**(0.964)**	0.000	0.513	**(0.451)**
Environmental warranties	(1.000)	0.000	0.000	**(1.000)**	0.000	0.000	**(1.000)**
Borrowing re-scheduling	(3.249)	(1.670)	0.000	**(4.919)**	(1.377)	0.000	**(6.296)**
BIA Investment	0.000	0.000	0.000	**0.000**	(4.072)	0.000	**(4.072)**
Buy not lease	0.000	(0.491)	0.000	**(0.491)**	(0.500)	0.365	**(0.626)**
City Deal	0.000	0.000	0.000	**0.000**	(2.500)	0.000	**(2.500)**
Community Engagement	0.000	0.000	0.000	**0.000**	(0.600)	0.000	**(0.600)**
Crisis Support	0.000	0.000	0.000	**0.000**	(0.741)	0.000	**(0.741)**
Dedicated schools grant	0.000	0.000	0.000	**0.000**	(5.847)	0.000	**(5.847)**
External legal costs - pay & grading	(1.095)	0.000	0.386	**(0.709)**	0.000	0.025	**(0.684)**
Working Smarter	0.000	(0.750)	0.000	**(0.750)**	0.000	0.291	**(0.459)**
Insurance fund	(2.984)	0.000	0.354	**(2.630)**	0.000	0.514	**(2.116)**
Leasing	(1.043)	0.000	1.043	**0.000**	0.000	0.000	**0.000**
Mediation	(1.150)	(1.436)	0.024	**(2.562)**	(1.750)	1.026	**(3.286)**
New homes bonus	(0.934)	(2.007)	0.650	**(2.291)**	(0.002)	0.583	**(1.710)**
Pensions / ABS	(1.000)	0.000	0.000	**(1.000)**	(4.786)	0.045	**(5.741)**
Public Health	0.000	0.000	0.000	**0.000**	(2.059)	0.000	**(2.059)**
Private finance initiative	(14.044)	(1.821)	0.000	**(15.865)**	(1.848)	0.039	**(17.674)**
Children's improvement plan	0.000	(0.644)	0.000	**(0.644)**	0.000	0.552	**(0.092)**
Retention policy / information management project	(0.500)	0.000	0.000	**(0.500)**	0.000	0.262	**(0.238)**
Smarter workplaces	(1.039)	0.000	0.425	**(0.614)**	0.000	0.025	**(0.589)**
Strategic capital investment	0.000	(6.637)	0.000	**(6.637)**	(1.450)	0.261	**(7.826)**
Telehealth	0.000	0.000	0.000	**0.000**	(1.090)	0.000	**(1.090)**
Pay & Grading Protection / Appeals	(5.945)	0.000	3.659	**(2.286)**	0.000	2.286	**0.000**
Transactional employment & pension costs	(15.377)	(7.680)	1.681	**(21.376)**	0.000	4.372	**(17.004)**
Walsall Adult Community College	(3.052)	(0.078)	0.373	**(2.757)**	0.000	0.672	**(2.085)**
Workforce planning	(1.759)	(1.607)	2.253	**(1.113)**	(6.000)	3.940	**(3.173)**
Worklessness agenda	(1.934)	0.000	0.865	**(1.069)**	0.000	0.104	**(0.965)**
Project reserve	(3.275)	(1.883)	0.333	**(4.825)**	(1.928)	0.259	**(6.494)**
Other earmarked reserves	(8.632)	(4.172)	3.873	**(8.931)**	(2.231)	3.057	**(8.105)**
Earmarked general fund balances	**(85.894)**	**(39.977)**	**22.540**	**(103.331)**	**(42.074)**	**25.894**	**(119.510)**
Total	**(97.989)**	**(52.104)**	**35.083**	**(115.010)**	**(55.173)**	**37.990**	**(132.192)**

44. Unusable reserves

Movements in the council's unusable reserves can be found in the movement in reserves statement (page 20) and note 22 (page 62).

2012/13 £m		2013/14 £m
(88.387)	Revaluation reserve	(94.448)
(12.629)	Available for sale financial instruments account	(12.629)
(56.385)	Capital adjustment account	(49.717)
0.051	Financial instruments adjustment account	0.035
(1.566)	Deferred capital receipts reserve	(1.449)
480.797	Pensions reserve	426.722
0.254	Collection fund adjustment account	0.896
5.593	Accumulated absences account	5.749
327.728	Total	**275.159**

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.

2012/13 £m		£m	2013/14 £m
(81.660)	Balance at 1 April		(88.387)
(19.890)	Upward revaluation of assets	(16.104)	
4.766	Downward revaluation of assets and impairment losses not charged to the surplus/(deficit) on the provision of services	4.043	
1.584	Impairment losses or (reversals) on non-current assets charged to the revaluation reserve	0.530	
(13.540)	**(Surplus) or deficit on revaluation of non-current assets not posted to the surplus or (deficit) on the provision of services**		**(11.531)**
1.042	Difference between fair value depreciation and historical cost depreciation	1.273	
5.771	Accumulated gains on assets sold or scrapped	4.197	
6.813	**Amount written off to the capital adjustment account**		**5.470**
(88.387)	**Balance at 31 March**		**(94.448)**

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

2012/13 £m		2013/14 £m
(12.629)	Balance at 1 April	(12.629)
0.000	Upward revaluation of investments	0.000
0.000	Downward revaluation of investments not charged to the surplus/deficit on the provision of services	0.000
0.000		**0.000**
(12.629)	**Balance at 31 March**	**(12.629)**

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 comprehensive income and expenditure statement (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 22 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.

2012/13 £m		£m	2013/14 £m
(85.776)	Balance at 1 April		(56.385)
	Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement		
20.512	Charges for depreciation and impairment of non-current assets	16.045	
(4.325)	Revaluation changes on property, plant and equipment	13.294	
0.396	Amortisation and impairment of intangible assets	0.316	
9.551	Revenue expenditure funded from capital under statute	10.662	
34.401	Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the comprehensive income and expenditure statement	8.968	
60.535	**Net written out amount of the cost of non-current assets consumed in the year**		**49.285**
	Capital financing applied in the year		
(4.625)	Use of capital receipts reserve to finance new capital expenditure	(3.342)	
(3.491)	Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital expenditure	(8.101)	
(13.638)	Application of grants to capital financing from the capital grants unapplied account	(15.006)	
(9.358)	Statutory provision for the financing of capital investment charged against the general fund	(14.376)	
(0.156)	Capital expenditure charged against the general fund	(1.935)	
(31.268)	**Total financing applied to capital expenditure in the year**		**(42.760)**
0.124	Movement in the market value of investment properties debited or credited to the comprehensive income and expenditure statement		0.144
(56.385)	**Balance at 31 March**		**(49.716)**

Financial instruments adjustment account

The financial instruments adjustment account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The council uses the account to manage soft loan interest transactions and to ensure that the CIES reflects the full interest charge associated by granting soft loans.

2012/13 £m		2013/14 £m	2013/14 £m
0.010	Balance at 1 April		0.051
0.041	Difference between implied interest within the loan agreement and actual interest chargeable under agreement	(0.016)	
0.041	**Amount by which finance costs charged to the comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements**		**(0.016)**
0.051	**Balance at 31 March**		**0.035**

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.

2012/13 £m		2013/14 £m
(1.753)	**Balance at 1 April**	(1.566)
(0.040)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	0.000
(0.325)	Deferred soft loan receipts	(0.320)
0.007	Release of deferred capital receipts to revenue as per regulations	0.420
0.545	Transfer to the capital receipts reserve upon receipt of cash	0.017
(1.566)	**Balance at 31 March**	**(1.449)**

Pensions reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post employment benefits in the comprehensive income and expenditure statement 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. However, statutory arrangements 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.

2012/13 Restated £m		2013/14 £m
397.246	Balance at 1 April	480.798
(35.253)	Return on plan assets (excluding the amount included in the net interest expense)	14.393
101.098	Actuarial gains and losses arising on changes in financial assumptions	(80.472)
9.920	Actuarial gains and losses arising on changes in demographic assumptions	4.907
0.000	Other remeasurements	(12.683)
31.446	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	44.283
(23.659)	Employer's pensions contributions and direct payments to pensioners payable in the year	(24.504)
480.798	**Balance at 31 March**	**426.722**

For further information on the changes in the defined benefit pension scheme please see page 51.

Collection fund adjustment account

The collection fund adjustment account manages the differences arising from the recognition of council tax income in the comprehensive income and expenditure statement 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.

2012/13 £m		2013/14 £m
0.530	**Balance at 1 April**	0.254
(0.276)	Amount by which council tax income credited to the comprehensive income and expenditure statement is different from council tax income calculated for the year in accordance with statutory requirements	(0.765)
0.000	Amount by which NNDR income credited to the comprehensive income and expenditure statement is different from NNDR income calculated for the year in accordance with statutory requirements	1.408
0.254	**Balance at 31 March**	**0.897**

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.

2012/13 £m		2013/14 £m
6.186	Balance at 1 April	5.593
(6.186)	Settlement or cancellation of accrual made at the end of the preceding year	(5.593)
5.593	Amounts accrued at the end of the current year	5.749
(0.593)	**Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements**	**0.156**
5.593	**Balance at 31 March**	**5.749**

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

2012/13 Restated £m		2013/14 £m
(21.554)	Depreciation and impairments	(17.319)
(1.446)	Revaluations	(13.294)
(0.396)	Amortisation	(0.316)
7.102	Increase/(decrease) in debtors	(4.403)
(0.262)	Increase/(decrease) in interest debtors	(0.658)
(3.700)	(Increase)/decrease in creditors	(2.757)
0.137	(Increase)/decrease in interest creditors	0.105
0.443	Increase/(decrease) in inventories	(0.232)
(3.447)	Movement in pension liability	(19.779)
(34.401)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(13.165)
(3.987)	Other non-cash items charged to the net surplus/deficit on the provision of services	1.863
(61.511)	**Total**	**(69.955)**

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

2012/13 £m		2013/14 £m
27.769	Capital grants credited to surplus or deficit on the provision of services	16.709
(158.670)	Net adjustment from the sale of short and long term investments	(146.235)
(0.120)	Premiums or discounts on the repayment of financial liabilities	(0.029)
5.586	Proceeds from the sale of property plant and equipment, investment property and intangible assets	2.224
(125.435)	**Total**	**(127.331)**

47. Cash flow statement – operating activities

The cash flows for operating activities include the following items:

2012/13 £m		2013/14 £m
(4.256)	Interest received	(2.849)
14.740	Interest paid	13.040
(0.758)	Dividends received	(4.470)
9.726	**Total**	**5.721**

48. Cash flow statement – investing activities

2012/13 £m		2013/14 £m
25.507	Purchase of property, plant and equipment, investment property and intangible assets	27.624
157.920	Purchase of short-term and long-term investments	124.340
2.005	Other payments for investing activities	0.268
(5.773)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2.341)
(28.552)	Other receipts from investing activities	(14.823)
151.107	**Net cash flows from investing activities**	**135.068**

49. Cash flow statement – financing activities

2012/13 £m		2013/14 £m
(0.681)	Cash receipts of short - and long-term borrowing	(0.029)
1.738	Other receipts from financing activities	0.260
2.026	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1.514
0.895	Repayments of short- and long-term borrowing	11.055
3.978	**Net cash flows from financing activities**	**12.800**

50. Contingent liabilities

Statutory fees for personal searches - Environmental Information Regulations

There is a possibility of claims for compensation being made by a number of private search companies following the Government wrongly requiring councils to charge fees for personal searches since the Environmental Information regulation came into force. This was ruled an error in the European Union (EU) courts.

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.

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 now obliged to ensure that previously contaminated sites have been cleaned appropriately, and are no longer an environmental or health hazard. The council has now served notice on all identified appropriate persons in order to try and determine liabilities for the cost of remediating this site. Through application of the legislation there is a potential risk to the council to inherit some of the liability.

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

Equal Pay

During 2013/14 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 prejudice the position of the council.

Staffordshire Pension Fund

The council is in receipt of a number of disputed invoices from Staffordshire Pension Fund relating to retrospective pension charges for the period 2004 to 2012. Legal advice has been sought on this matter.

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

Business Rates (NNDR)

The council has in accordance with proper accounting practice made a provision for NNDR appeals based on appeals that have been lodged with the Valuation Office (VO). The council is aware however that appeals can be lodged with the VO in future years relating to 2013/14 however it is not possible to quantify these appeals or the financial risk to the council. As such no provision has been set aside to cover these appeals.

In accordance with IAS37 Provisions, Contingent Liabilities and Contingent Assets the council has not disclosed an estimate of potential costs as liability has not been established at this stage.

51. Contingent assets

The council has no contingent assets to disclose as at 31 March 2014.

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 National Non-Domestic Rates (NNDR) and distribution to local authorities 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 therefore, is to isolate the income and expenditure relating to Council Tax and NNDR. 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 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 is 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 NNDR tax base.

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

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

1. Collection Fund income and expenditure account

2012/13 £m		2013/14 Council Tax £m	2013/14 NNDR £m	2013/14 Total £m
	Income			
(92.516)	Income from council tax	(96.423)	0.000	(96.423)
(29.098)	Benefits	0.000	0.000	0.000
(121.614)	**Sub total**	**(96.423)**	**0.000**	**(96.423)**
(66.528)	Income collectable from business ratepayers	0.000	(69.553)	(69.553)
(188.142)	**Total income**	**(96.423)**	**(69.553)**	**(165.976)**
	Expenditure			
	Council Tax Precepts:			
109.246	Walsall Metropolitan Borough Council	85.552	0.000	85.552
7.846	Police	6.214	0.000	6.214
3.774	Fire and Civil Defence	3.204	0.000	3.204
	Business Rates:			
66.184	Payments to national pool	0.000	0.000	0.000
0.000	Payments to Government	0.000	33.627	33.627
0.000	Payments to Fire	0.000	0.672	0.672
0.000	Payments to Walsall Council	0.000	32.954	32.954
0.344	Costs of collection	0.000	0.344	0.344
0.000	Transitional protection payments	0.000	(0.168)	(0.168)
0.000	Enterprise Zone relief	0.000	0.200	0.200
0.430	Provisions	0.898	0.190	1.088
0.011	Write offs	0.150	0.924	1.074
0.000	Provision for appeals	0.000	3.828	3.828
187.835	**Total expenditure**	**96.018**	**72.571**	**168.589**
(0.307)	**(Surplus)/deficit for year**	**(0.405)**	**3.018**	**2.613**
	Collection Fund Balance			
0.583	Balance brought forward at 1 April	0.276	0.000	0.276
0.000	Police - payment to / (from)	(0.029)	0.000	(0.029)
0.000	Fire - payment to / (from)	(0.014)	0.000	(0.014)
0.000	Walsall Council - payment to / (from)	(0.402)	0.000	(0.402)
(0.307)	(Surplus)/deficit for the year (as above)	(0.405)	3.018	2.613
0.276	**Balance carried forward at 31 March**	**(0.574)**	**3.018**	**2.444**
	Allocated to:			
0.254	Walsall Council	(0.511)	1.408	0.897
0.000	Walsall Council Enterprise Zone	0.000	0.071	0.071
0.015	Police	(0.041)	0.000	(0.041)
0.007	Fire	(0.022)	0.030	0.008
0.000	Government	0.000	1.509	1.509
0.276		**(0.574)**	**3.018**	**2.444**

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).

This reduction between financial years is as a result of the Governments Council Tax Localisation changes which revised the way Central Government pay Council Tax benefit compensation to the Council. The council tax base for 2013/14 is as follows:

Band	Weighting	Number of dwellings on valuation list	Discounted value for council tax purposes	Band D equivalent	Band D equivalent for 2012/13
A	6/9	48,340	22,049	**14,691**	28,551
B	7/9	25,121	18,131	**14,102**	17,828
C	8/9	17,415	14,964	**13,301**	14,050
D	9/9	9,743	9,021	**9,021**	9,216
E	11/9	5,351	5,039	**6,159**	6,148
F	13/9	2,285	2,169	**3,133**	3,138
G	15/9	718	666	**1,111**	1,094
H	18/9	52	35	**70**	75
		109,025	**72,074**	**61,588**	**80,100**

3. Income from Business Ratepayers

The council collects National Non-Domestic Rates (NNDR) 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 NNDR 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 NNDR 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 NNDR 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 Service (WMFS) (1%).

When the scheme was introduced, central Government set a baseline level for each authority, (for Walsall this amount for 2013/14 was £65.311m) 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 2013/14 to the value of £31.902m.

In addition to the top up, a ‘safety net’ is calculated at 7.5% (£4.898m) of the baseline amount of £65.311m. 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.

The council did not qualify for a safety net payment for 2013/14, as the total income from business rate payers billed in 2013/14 was £69.553m, (£66.528m in 2012/13). This sum includes £0.203m of transitional protection payments.

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 2014. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2013/14 has been calculated at £3.827m.

For 2013/14, the total non-domestic rateable value at the year end is £179.100m (£179.323m in 2012/13). The national multipliers for 2013/14 were 46.2p for qualifying Small Businesses, and the standard multiplier being 47.1p for all other businesses (45.0p and 45.8p respectively in 2012/13).

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

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

2012/13				2013/14		
Walsall £m	**Preceptors £m**	**Total £m**		**Walsall £m**	**Preceptors £m**	**Total £m**
(6.581)	(0.633)	(7.214)	Balance at 1 April	(6.949)	(0.695)	(7.644)
(0.047)	(0.005)	(0.052)	Write offs during year for previous years	(0.174)	(0.019)	(0.193)
(0.321)	(0.057)	(0.378)	Contributions to provisions during year	(0.627)	(0.078)	(0.705)
(0.368)	(0.062)	(0.430)	Net Increase / (Decrease) in Provision	(0.801)	(0.097)	(0.898)
(6.949)	**(0.695)**	**(7.644)**	**Balance at 31 March**	**(7.750)**	**(0.792)**	**(8.542)**

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

2012/13		**2013/14**		
Total £m		**Walsall £m**	**Preceptors £m**	**Total £m**
(2.438)	Balance at 1 April	(2.514)	0.000	(2.514)
(1.070)	Write offs during year for previous years	(0.425)	(0.442)	(0.867)
0.000	Allocate Preceptors share of BDP	1.379	(1.379)	0.000
0.994	Contributions to provisions during year	0.235	0.442	0.677
(0.076)	Net Increase / (Decrease) in Provision	1.189	(1.379)	(0.190)
(2.514)	**Balance at 31 March**	**(1.325)**	**(1.379)**	**(2.704)**

The collection fund account also provides for provisions for appeals against the rateable valuation set by the Valuation Office Agency (VO) not settled as at 31 March 2014.

There was no requirement to split prior years provisions for bad debts between the council and preceptors. This is a change for 2013/14.

2012/13		**2013/14**		
£m		**Walsall £m**	**Preceptors £m**	**Total £m**
0.000	Balance at 1 April	0.000	0.000	0.000
0.000	Write offs during year for previous years	0.000	0.000	0.000
0.000	Contributions to provisions during year	(1.875)	(1.952)	(3.827)
0.000	Net Increase / (Decrease) in Provision	(1.875)	(1.952)	(3.827)
0.000	**Balance at 31 March**	**(1.875)**	**(1.952)**	**(3.827)**

There are no provisions for appeals for prior years as this is a new requirement for 2013/14.

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 Education and Children's Services and Resources. 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
- Joseph Leckie Memorial Fund – for the provision of scholarships
- Walsall Agricultural Fund – for the provision of a prize fund

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 Councils bank account. For 2013/14 the balance of residents monies held was £0.969 million (£0.932 million in 2012/13).

1. Trust and scholarship income and expenditure account

	SW Tame		J Leckie Memorial		Walsall Agricultural Fund		Barr Beacon Trust		TOTAL	
	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £
Income										
Rents	0	0	0	0	0	0	(104)	0	(104)	0
Bank Interest	(6)	(6)	(308)	(308)	(5)	(5)	(341)	(277)	(660)	(596)
Investment Income	0	0	0	0	0	0	(10,942)	0	(10,942)	0
Total Income	**(6)**	**(6)**	**(308)**	**(308)**	**(5)**	**(5)**	**(11,387)**	**(277)**	**(11,706)**	**(596)**
Expenditure										
Projects	0	0	0	0	0	0	16,398	0	16,398	0
Premise license	0	0	0	0	0	0	70	0	70	0
Depreciation	0	0	0	0	0	0	1,000	0	1,000	0
Total Expenditure	**0**	**0**	**0**	**0**	**0**	**0**	**17,468**	**0**	**17,468**	**0**
(Surplus)/deficit for the year	**(6)**	**(6)**	**(308)**	**(308)**	**(5)**	**(5)**	**6,081**	**(277)**	**5,762**	**(596)**
Opening accumulated fund	**556**	**562**	**28,164**	**28,472**	**750**	**755**	**268,861**	**292,881**	**298,331**	**322,670**
Unrealised gains (losses)	0	0	0	0	0	0	30,101	0	30,101	0
Realised gain (loss)	6	6	308	308	5	5	(6,081)	(292,604)	(5,762)	(292,285)
Closing accumulated funds 31 March	**562**	**568**	**28,472**	**28,780**	**755**	**760**	**292,881**	**277**	**322,670**	**30,385**

During the year an independent bank account has been opened for Barr Beacon Trust. All associated cash balances and asset values have therefore been removed from the Councils bank account and balance sheet.

2. Trusts and scholarship balance sheet

	SW Tame		J Leckie Memorial		Walsall Agricultural Fund		Barr Beacon Trust		TOTAL	
	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £
Non Current Assets										
Land and buildings	0	0	0	0	0	0	21,001	0	21,001	0
Investments	0	0	0	0	330	330	273,964	0	274,294	330
Current Assets										
Cash	562	568	28,472	28,780	425	430	23,917	277	53,376	30,055
Debtors	0	0	0	0	0	0	0	0	0	0
Total	**562**	**568**	**28,472**	**28,780**	**755**	**760**	**318,882**	**277**	**348,671**	**30,385**
Funded by										
Revenue fund	562	568	26,954	27,262	425	430	292,881	277	320,822	28,537
Capital fund	0	0	1,518	1,518	330	330	0	0	1,848	1,848
Revaluation Reserve	0	0	0	0	0	0	26,001	0	26,001	0
Total	**562**	**568**	**28,472**	**28,780**	**755**	**760**	**318,882**	**277**	**348,671**	**30,385**

During the year an independent bank account has been opened for Barr Beacon Trust. All associated cash balances and asset values have therefore been removed from the Councils bank account and balance sheet.

Annual Governance Statement

1. Scope of responsibility

This statement is given in respect of the 2013/14 statement of accounts for Walsall Council. Walsall Council is responsible for ensuring that its business is conducted in accordance with the laws and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. Walsall Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Walsall Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and includes arrangements for the management of risk.

Walsall has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website or can be obtained from the Monitoring Officer or Chief Finance Officer. This statement explains how Walsall Council has complied with the Code and also meets the requirement of regulation 4(2) of the Accounts and Audit Regulations 2011.

2. The purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Walsall Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Walsall Council for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

3. The Governance Framework

The key elements of the council's governance arrangements, including the system of internal control, are documented in the council's Local Code of Governance available at the following link http://cms.walsall.gov.uk/local_code_of_governance_2014.pdf

The Local Code of Governance incorporates 6 key principles of good governance:

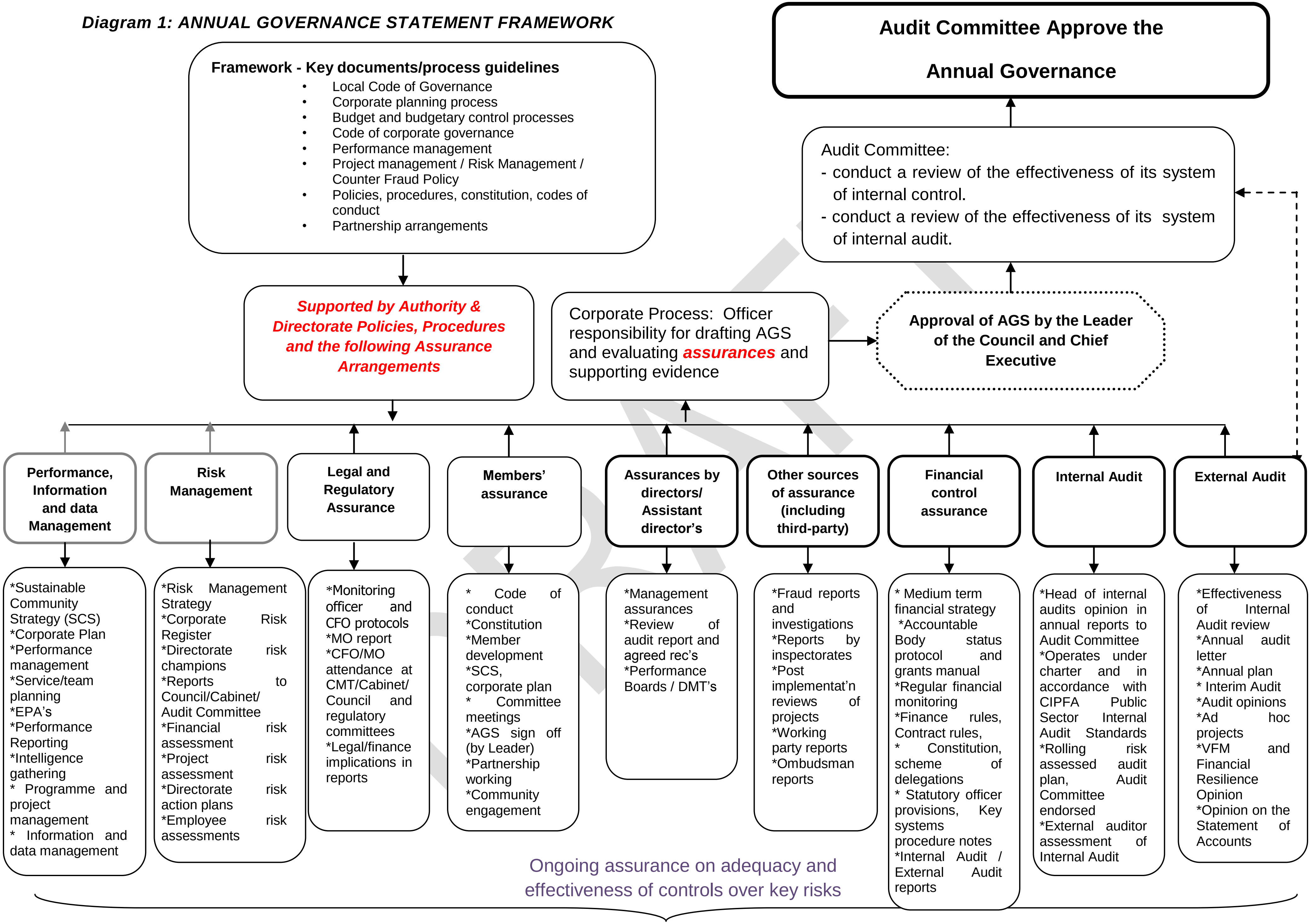
1. Focusing on the purpose of Walsall Council and on outcomes for the community, and creating and implementing a vision for the local area.
2. Elected Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting Values for Walsall Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
5. Developing the capacity and capability of Elected Members and Officers to be effective.
6. Engaging with local people and other stakeholders to ensure robust public accountability.

The Local Code also sets out how the council will put these into practice, including by:

- Identifying and communicating the authority's vision and intended outcomes for citizens and service users, reviewing the vision and its implications for the authority's governance arrangements.
- Establishing and monitoring the achievement of the Authority's objectives, including measuring the quality of services for users and customers.
- Establishing clear channels of communication with the community and stakeholders, ensuring accountability and open consultation.
- The facilitation of policy and decision making.
- Complying with established policies, procedures, laws and regulations, including how risk assessment is embedded in the activity of the Authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties.
- Ensuring the authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010).
- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions of the council.
- Promoting values for the Authority and developing, communicating and embedding codes of conduct and defining standards of behaviour.
- Developing and maintaining an effective Audit Committee
- Identifying and supporting development needs of members and senior officers.
- Ensuring effective financial management of the Authority and its reporting.
- Ensuring the economical, effective and efficient use of resources and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- Performance management of the Authority and its reporting.
- Incorporating good governance arrangements in respect of partnerships and other group working.

The governance framework consists of management information, finance and contract rules, established financial, budgetary, personnel and other procedures, a performance management framework, community and corporate planning, management supervision in accordance with the corporate employee performance assessment (EPA) framework, a comprehensive risk management strategy and process, an agreed Walsall Change Approach and a system of officer and member delegation and accountability and codes of conduct. Diagram 1 illustrates the overall governance framework which is discussed in more detail in this section.

Diagram 1: ANNUAL GOVERNANCE STATEMENT FRAMEWORK



The council acknowledges its responsibility for ensuring that effective governance arrangements, including an effective system of internal control (including financial control), are maintained and operated in connection with the resources concerned. Any system of internal control, including internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period. Development and maintenance of the system is undertaken by managers within the council.

In particular, the system includes the following key elements:

- A sustainable community strategy, setting out ambition, objectives and priorities of the council and key partners, developed following consultation with the community and stakeholders – supported by a revised corporate plan – linked to service planning via the Walsall Change Approach.
- An agreed approach to change (Walsall Change Approach) under which change management activity is delivered.
- An information governance framework.
- A comprehensive risk management strategy and framework, operating at both strategic and operational levels.
- An approved Constitution, including finance and contract rules, a scheme of delegation and decision making processes of the Council.
- Standards Committee, Audit Committee, scrutiny function and other regulatory committees.
- Statutory Monitoring and Chief Finance Officers ensuring the council operates within existing legislation and statutory guidance.
- Human resources and other policies and procedures, including codes of conduct (member and officer), whistle blowing policy and an anti-fraud and anti-corruption policy and strategy.
- A comprehensive financial strategy, including budget management and control framework, supported by financial procedures and guidelines underpinning sound financial management, reporting and standing.
- Clear measures of financial performance linked to service planning and the corporate plan.
- The preparation of regular reports to managers, executive directors, Corporate Management Team (CMT) and elected members which indicate actual expenditure against budget and highlight remedial action, where required.
- Use of an accountable body status protocol and grant management arrangements when the council acts as accountable body for funds, including in relation to partnership working to ensure that activities are administered consistently and robustly across the council.
- A risk assessed Internal Audit programme which is planned in advance to cover all major systems of internal control and which is based on a risk assessment of key systems and controls.
- An internal audit function that operates in accordance with the CIPFA Code of Practice and which is assessed annually by external audit during their Interim Audit.
- An independent external audit function which reports on the financial and governance arrangements of the council.
- Member and officer development strategy and individual development planning processes.
- Comprehensive communication and consultation arrangements both internally and externally.

There are a number of key elements of the governance framework and internal control environment which assist the council in monitoring and managing the achievement of its objectives. These are included in the council's published overarching strategies and plans including; the sustainable community strategy; the corporate plan; medium term financial strategy, corporate budget plan, capital strategy, risk management strategy; treasury management strategy;

change management approach, and directorate strategy and planning documents. These documents set out the council's priorities.

The approved Corporate Plan 2013/14 to 2014/2015 explains what we are doing as a council, the Working Smarter Programme being the delivery plan for achieving the corporate plan priorities, supported by the Walsall Change Approach, which is a toolkit of advice and methodologies which will develop and change as the council moves through its change activities. During 2013/14, all major change activity and projects was included under the umbrella of the Working Smarter programme, aimed at delivering customer service improvements, financial savings and improved staff morale. The methods being used to deliver change were many and varied.

A refreshed corporate performance management framework has been developed and implemented and has been designed to demonstrate progress against objectives and outcome measures. This will be monitored by senior leaders and aligns with progress reported through to Walsall Partnership and the Borough Management Team Management Board.

The council has an established risk management framework, designed to identify, evaluate, manage and where possible, mitigate risks to the council in delivering its objectives. There is an ongoing programme of reporting and review of both strategic and operational risks, and this extends to an assessment of risks in financial planning and major projects and partnerships. Strategic risks are identified, evaluated, incorporated into a corporate risk register and reported to senior management and CMT. This includes actions to mitigate risks, as appropriate, for each key strategic risk. Audit Committee chose to review the following risks during 2013/14:

Risk 12 - Governance Failure - January 2014

Risk number 15 – Welfare Reform Act 2012 – April 2014

Audit Committee also reviewed and endorsed a revised corporate risk management strategy in February 2014.

Each directorate has identified directorate risks and work continues to ensure that the actions arising from these take proper account of the balance of risk and resources to ensure that appropriate and proportionate action is put in place. Financial risks are assessed regularly and as part of the annual budget process and regular reporting of the financial position. A corporate financial risk assessment informs the medium term financial strategy and the level and appropriateness of general and other reserves. Individual posts are risk assessed within the council and are subject to review. Risk workshops are held to ensure managers and those involved in the assessment and management of risk are appropriately trained.

Audit Committee attended a risk management training workshop in June 2013 to support their role in reviewing risk management within the council.

The council's Constitution sets out how the authority operates and refers to required procedures to be followed to ensure all activity and decision making is transparent and accountable to the local community. This includes a scheme of delegation and contract and finance rules, which set out the control environment in which the council operates. The scheme of delegations was reviewed and updated during 2013/14.

Since 2011/12, the AGS is required to contain a statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)* as set out in the *Application*

Note to Delivering Good Governance in Local Government: A Framework. The Statement sets out five principles which define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them. In assessing these five principles, the Authority complies with all but one. This relates to Principle 1, in that "*the CFO is a key member of the Leadership Team reporting directly to the Chief Executive with status at least equivalent to other members of the team".* The Statement also states that if this is not the case then the reasons should be explained publicly in the AGS and an explanation of how the actual arrangements deliver the same impact. In Walsall the CFO reports to the Executive Director Resources, who reports to the Chief Executive. The CFO attends the Leadership Team (the corporate management team), has access to all confidential papers/matters, has direct and unfettered access to and meets frequently with the Chief Executive, and has direct and unfettered access to members, including Cabinet and Audit Committee.

Arrangements for the provision of Internal Audit are contained within the council's Constitution. The council, via its statutory Chief Finance Officer (CFO) must ensure that there is an adequate and effective Internal Audit of accounting records and of its systems of internal control as required by the Accounts and Audit Regulations 2011.

Executive directors and risk owners are required to provide assurance via audit reports and where appropriate, to Audit Committee that agreed audit actions are being implemented, and where control weaknesses are identified, to put in place remedial action in a timely manner, and as agreed with audit.

The Audit Committee receives summary reports of audits receiving a no or limited assurance opinion and external audit recommendations and actions and seeks to ensure that control weaknesses where identified are addressed. The Committee has a function in respect of the system of internal control and its effectiveness and the work of the Committee includes the review of the Annual Governance Statement and its approval in September of each year.

4. Review of Effectiveness

Walsall Council (via Audit Committee) has statutory responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control and its internal audit.

The review of the effectiveness is informed by and assurance obtained from:

- The annual work programme of Audit Committee including receiving, considering and reviewing reports on the work of internal and external audit, including reports on internal controls, risk management, grants, the external auditor's Interim Audit, it's opinion on VFM and the financial resilience of the council, the external audit opinion on the statement of accounts and the annual audit and inspection letter.
- The Head of Internal Audit's annual report.
- Findings of the external auditor and other review agencies and inspectorates.
- Cabinet, corporate management team and senior officers monitoring the effectiveness of the governance framework through receiving monitoring reports on performance and financial management and risk management, including progress against key objectives and measures and corrective action planning; the overall financial position; updates on performance in relation to management of key risks to the organisation; and receive regular reports via Audit Committee on the internal control mechanisms in place and their effectiveness.

- Improvements recommended by Audit Committee on the framework for reporting. For example, in 2013/14, Audit Committee made a number of suggested improvements to the reporting of corporate risks which are currently being incorporated into the risk management process and corporate risk register for consideration by Audit Committee in September.
- The work of the executive directors and managers within the authority who have responsibility for the development and maintenance of the governance environment.
- The Chief Executive and the Leader of the Council and elected members, via the Audit Committee, who formally consider and approve the Annual Governance Statement (AGS) annually.

In respect of the system of internal audit and based on:

1. The work of the Audit Committee in 2013/14 in:
   - receiving no and unlimited audit reports,
   - reviewing strategies under their remit,
   - fully complying with the CIPFA "A Toolkit for Local Authority Audit Committees"
2. The work of internal audit and substantial compliance with Public Sector Internal Audit Standards which came into effect on 1 April 2013.
3. The work of the Council's external auditors, Grant Thornton, and their opinion. Grant Thornton have undertaken a review of internal audit. In their interim report dated June 2014, they concluded that "*the internal audit service continues to provide an independent and satisfactory service to the council and that internal audit work contributes to an effective internal control environment at the Council".*

The system of internal audit is considered satisfactory overall.

In respect of the system of internal control, a review of the following areas has been undertaken and reported to Audit Committee in September 2014 to inform the overall opinion as to the effectiveness of the system of internal control:

- Governance Issues and control weaknesses identified in 2012/13 AGS – progress in addressing these
- The work of the Corporate Governance Forum
- The annual report of the Head of Internal Audit on the overall adequacies of the internal control environment.
- Internal Audit 2013/14 Identified Control Weaknesses
- The work of regulatory Committees – Standards and Audit
- The work of External Audit and Inspectorates
- Financial and risk performance reporting
- Information Governance and data protection arrangements
- Other Supporting Evidence

Some control weaknesses have been identified as a result of the work of the above, including the result of the OFSTED inspection of the Council's school improvement service which took place in June 2014 whereby they concluded that arrangements are ineffective. The results of the Inspection, once received, will be reported to Audit Committee along with an action plan. Overall, however, the arrangements continue to be regarded as fit for purpose in accordance with the council's governance framework.

The key areas for improvement to be specifically addressed with action plans are outlined below. A number of issues were identified in the 2012/13 Annual Governance Statement and an update of the progress made in implementing the actions to improve these areas of weakness has been included above.

Further detail on the review can be found on the council's website in the report to Audit Committee 24th September 2014, where the effectiveness review was received and considered.

A key area of assurance highlighted above is from external audit. In their Governance Review report they make the following comments:

"Our specific work on this assignment and our cumulative knowledge, gained from our role as the Council's external auditors over the last seven years, has confirmed that having in place an effective governance framework remains a challenge for the Council. It is important that this framework is proportionate to the risks the Council responds to and the levels of value for money it seeks to provide.

A key observation from this work is that it is not just the systems and procedures of governance that need to be effective but also (and arguably more importantly) the attitudes and behaviours of its workforce.

In establishing the Governance Forum the Council has recognised the importance of this agenda and made good progress in reviewing its systems and procedures. However, continued strong leadership from officers and members will be required in order that the necessary cultural understanding, engagement and compliance is served.

We commend the Council for its response to date and will continue to support its work on embedding a strong well-governed culture in support of its services.

Based on the work of the Corporate Governance Forum to date, as well as the significant assurance opinion given by the Internal Audit review, and the findings within this report, we consider that the Council is making sufficient progress in addressing the recommendation made in the 2012/13 Annual Audit Letter."

5. Significant Governance Issues

Whilst the officers who drafted this Annual Governance Statement, evaluated assurances and supporting evidence, concluded the effectiveness of the governance framework, in respect of the systems of internal audit and internal control is satisfactory overall, there is a particular area for improvement:

- There is still further work to do to embed good governance across the organisation and to ensure that the Local Code of Governance is adequately disseminated, understood and followed. This is being addressed through the Corporate Governance Forum.

....

Paul Sheehan
Chief Executive

Date: xx September 2014

In approving this statement, the views and assurances of the statutory officers and Executive Directors have been sought and appropriate evidence obtained to support it.

....

Councillor Mike Bird
Leader of the Council – April 2013 to August 2014

Date: xx September 2014

In approving this statement, the views and assurances of the statutory officers and executive directors have been sought and appropriate evidence obtained to support it.

....

Councillor Sean Coughlan
Leader of the Council – August and September 2014

Date: xx September 2014

In approving this statement, the views and assurances of the statutory officers and executive directors have been sought and appropriate evidence obtained to support it.

Glossary

A

Account and Audit Regulations 2011: The current sets of regulations which detail the accounts needed, how they should be published, the right of electors, and the conduct of the annual statutory audit.

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 Civil Defence and Police Authorities.

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

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

C

Cabinet: The executive decision making body of the council made up of portfolio holding executive members. Operates in a similar style to central Government.

Capital Adjustment Account: Financing of capital expenditure passes through this account.

Capital expenditure: Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of existing fixed assets.

Capital receipts: The proceeds from the sale of a fixed asset, or the repayment of an advance made by the council.

Capitalised: Transferred from revenue to capital.

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.

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.

CIES: Comprehensive income and expenditure statement.

CIPFA: Chartered Institute of Public Finance and Accountancy.

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

CMT: Corporate management team.

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 national non-domestic rates (NNDR).

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: 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.

Consistency: The concept that the accounting treatment of like items within an accounting period and from one period to the next should be the same.

Consolidated: Added together with adjustments to avoid double counting of income, expenditure or to avoid exaggeration, e.g. debtors, creditors as a result of trading between services within the council which are reported on as a whole in the section on consolidated financial accounts.

Contingent assets: Potential assets at the balance sheet date which depend on the occurrence or non-occurrence of one or more uncertain future events. The assets should be included in the balance sheet where it is probable that a 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 and democratic core: Defined elements of support service costs which are not chargeable to services, sub-divided into Democratic Representation and Corporate Management.

Corporate management: Those activities and costs which provide the framework for services to be undertaken and information required for public accountability.

Corporate management team: 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.

Council tax benefit: Financial assistance available to residents on a low income who are liable for council tax. The majority of the cost to the council of these benefit payments is reimbursed by central government grant.

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

DCLG: Department for Communities and Local Government.

Debtors: Amounts due to the council which relate to the accounting period and have not been received by the balance sheet date.

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

Deferred capital receipts: Amounts derived from the asset sales which will be received in instalments over a period of a year (e.g. mortgages on the sale of council houses).

Deferred liabilities: These are liabilities which are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time, e.g. deferred purchase arrangements.

DEFRA: Department for Environment, Food and Rural Affairs.

Department for Communities and Local Government: Responsible for Government policy and advice on community affairs and local Government.

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

Department for Environment, Food and Rural Affairs: Responsible for Government policy and advice on environmental, agricultural and rural issues.

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

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

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

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

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

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

E

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

ED: Executive Director.

EU: European Union.

Exceptional: Material items which arise from events or transactions that fall within the ordinary activities of the council and which by virtue of their size or incidence need to be disclosed separately to give a fair presentation of the accounts.

Expenditure: Costs incurred by the council for goods received, services rendered or other value consumed during the accounting period, irrespective of whether or not any movement of cash has taken place.

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.

FRS: Financial Reporting Standard. Accounting standards that apply to all accounts unless there is legislation or a SORP covering that area.

G

General Fund: The main revenue account of the council, which brings together all income and expenditure other than recorded in the Housing Revenue Account, PSE accounts and the Collection Fund.

Government support/grants: Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfer of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the council.

H

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

HMRC: Her Majesty's Revenue and Customs.

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

HR: Human Resources.

I

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

ICT: Information and communication technology.

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 interpretations committee: This committee offers interpretation of IFRS.

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).

IT: Information technology.

J

Joint arrangements: An arrangement between the council and other public bodies i.e. pooled budgets, to jointly carry out a service.

L

LASAAC: Local Authorities (Scotland) Accounts Advisory Committee.

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.

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

Material: The concept that any omission from or inaccuracy in the statements of account should not be large enough to affect the understanding of those statements by a reader.

Minimum revenue provision (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

National non-domestic rates (NNDR): A tax levied on business properties, sometimes known as Business Rates. An NNDR poundage is set annually by the Government. Rates based on properties' rateable values are collected by billing authorities and paid into a national pool. The proceeds are then redistributed by central Government as a grant to local authorities in proportion to adult population.

Net book value: The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided by depreciation.

Net realisable value: The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non-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 assets 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: 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

Service concession arrangements: An arrangement such as a PFI or PPP whereby a private contractor builds and operates infrastructure for a set contract term. Any assets built as part of the contract are then returned to council ownership at the end of the arrangement.

Section 106: 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.

Soft Loans: A loan made with no interest or below market rate interest.

SPECTRUM: The UK museum collections management standard maintained by the Collections Trust. It is recognised both nationally and internationally as best practice.

Supported Borrowing: The level of borrowing that the council receives funding for from central Government to support capital expenditure.

T

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

U

UITF: Urgent Issue Task Force. These are abstracts that are accounting standards that apply to all accounts unless there is legislation or code of practice covering that area.

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.

W

WATMOS: Walsall Alliance of Tenant Management Organisations. A registered social landlord in Walsall that was created as a result of the large scale voluntary transfer of all the council's housing stock.

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:

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

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

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

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

West Midlands Pension Fund
PO Box 3948
Wolverhampton 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

Summary of Accounts 2013/14

Details of Walsall Council's spending during the past financial year

This summary set of accounts are not subject to audit, however are derived from figures within the 2013/14 Statement of Accounts and are presented as an overview.

Walsall Council

Introduction

The council's full set of accounts (the Statement of Accounts) runs to 129 pages. Its content is largely prescribed by accounting standards that all local authorities have to follow. This summary is intended to give the reader a brief, uncomplicated view of the council's financial results in 2013/14.

Financial review

In the financial year ended 31 March 2014, the total cost of services provided to the people of Walsall was £268.595 million. The total net expenditure shown on the comprehensive income and expenditure statement (CIES) was a deficit of £27.060 million. After statutory adjustments, such as the removal of depreciation, impairments and entries in relation to pension costs are applied the council shows an overall deficit for the general fund of £1.747 million for the year. After taking into account a planned use of general reserves of £0.349 million and a further £2.667 million allocated in year as approved by Cabinet, transfers of £1.977 million arising from a review and subsequent release of earmarked reserves, the net position for the council is an overspend of £0.710 million.

Capital investment in 2013/14 totalled £39.944 million (£53.172 million in 2012/13). The expenditure was on items such as new schools and improvements to the borough's roads. This investment was largely paid for from borrowing, asset sales and grants.

A total of £1.904 million was received during the year from the sale of assets (£5.221 million in 2012/13). Some of this was used to pay for capital investment during the year with the remainder being programmed for use on capital investment in future years.

What do we spend money on and how is it funded?

Revenue Expenditure

Provided by	Income	£m	%
Government	Government grants	242.06972	36%
Government	Dedicated schools grant	143.44328	21%
Government	Non domestic rates	63.577	10%
Citizen	Council tax	85.927	13%
Citizen	Other income (rents, fees and charges, specific grants)	132.102	20%
	Total	**667.119**	**100%**

What income we get

What we spend it on

Cash?	Type of expenditure	£m	%
Cash	Employees	(242.922)	35%
Non cash	Depreciation, impairment and disposal of assets	(42.329)	6%
Cash	Supplies and service	(41.887)	6%
Cash	Housing benefits	(142.159)	21%
Cash	Precepts/Levies	(14.386)	2%
Cash and Non cash	Other running costs	(210.496)	30%
	Total	**(694.179)**	**100%**

Service	£m	%
Education	(264.722)	38%
Social services	(109.845)	16%
Highways/transport	(24.864)	4%
Cultural and related services	(22.124)	3%
Environmental and regulatory services	(36.959)	5%
Planning services	(11.802)	2%
Housing	(127.673)	18%
Precepts/Levies (Centro)	(14.386)	2%
Other	(81.804)	12%
Total	**(694.179)**	**100%**

And the services it provides

Revenue summary	£m
Income	667.119
Expenditure	(694.179)
Net revenue expenditure	**(27.060)**

Revenue summary

Category	£m
Charges for depreciation and impairment	(17.318)
Revaluation losses	(13.294)
Capital grants and contributions	14.862
Disposal of fixed assets	(13.165)
Pension costs	(19.779)
Other statutory movements	6.199
Total	**(42.495)**

Adjustment for costs not to be included within council tax

	£m
Net revenue expenditure	(27.060)
Adjustments for costs (as above)	42.495
Transfers to earmarked reserves	(17.182)
Total	**(1.747)**

General Fund balance

Capital Expenditure

The council also spends money on improving and repairing the land and property owned by the council so that first class public services can be offered, such as purchasing, upgrading and improving assets such as buildings and roads. In 2013/14 a total of £40 million was spent on capital investment. This was split as follows:

Capital expenditure Type of asset	2013/14 £m
Land and buildings	7.102
Vehicles and equipment	3.679
Infrastructure	8.738
Community assets	1.633
Heritage assets	0.039
Assets under construction	5.345
Subtotal	**26.536**
Intangible assets	0.222
Revenue expenditure funded from capital	13.186
Total	**39.944**

The following chart shows how Walsall Council has paid for capital expenditure this year.

Capital Financing Source	2013/14 £m
Unsupported borrowing	(9.077)
Capital receipts	(3.342)
Capital grants and contributions	(25.590)
Revenue	(1.935)
Acquired under finance lease	0.000
Subtotal	**(39.944)**

What are we worth – the council's balance sheet

The council's balance sheet gives a snapshot of the council's financial position at year end. It shows what the council owns (its assets) and what it owes (its liabilities). It also gives details of how these are all funded. Below is a summary balance sheet for the financial year ending 31 March 2014.

Balance sheet category	£m	Explanation
Fixed assets	442.109	Property, equipment
Other long term assets	43.885	Investments and long term debtors
Stock	0.913	Value of goods held such as food
Money owed to the council	39.548	By citizens and businesses
Investments	97.596	Short term cash deposits
Cash and cash equivalents	26.243	Cash in bank
Assets - owned by the council	**650.294**	
Money owed by the council	(63.374)	To businesses for goods purchased
Borrowing by the council	(255.283)	To fund capital expenditure
Pensions liability	(426.722)	Total pension liability
Other long term liabilities	(9.027)	Finance leases and PFI
Liabilities - owed by the council	**(754.406)**	
Total assets less liabilities	**(104.112)**	
Financed by:		
Distributable reserves	(171.047)	Can be used to fund future years
Non redistributable reserves	(151.563)	Accounting balances mainly for financing
Pensions reserve	426.722	Total pension assets
Total reserves	**104.112**	

As at 31 March 2014 Walsall council's balance sheet shows a negative net worth of £104.112m. It must be noted that Walsall council is in good financial health when comparing the ability to pay its current liabilities. Walsall council also has a balanced budget set for 2014/15. The negative net worth position at 31 March 2014 has been caused by holding a pension liability of £426.722m. It is planned for the pension liability to decrease and achieve a break even position in 22 years and contribution rates have been set for the next 3 years on this premise.

The statement of accounts are prepared on a going concern basis.

Cashflow

Walsall Council handles significant amounts of cash relating to both revenue and capital during the year. The cashflow shows the movement of money into and out of the Council's bank accounts. The statement does not show money owed to the council or owed by the council.

Money received by the council, or cash inflows, can come from a variety of sources such as local taxation, government grants, bank interest and fees and charges.

The cash outflows include purchases, interest and principal payments on loans, salaries and other costs and expenses.

	£m
Cash and cash equivalents at the start of the year	3.885
Cash and cash equivalents at the end of the year	**26.243**

Glossary

Please see the glossary included within the Statement of accounts for an explanation of some of the accounting terms used within this document.

The statement of accounts has been prepared in accordance with the Accounting Code of Practice. The figures for this summary were originally compiled having regard to proper accounting practice.

The council's 2013/14 accounts are audited by Grant Thornton and were approved for distribution on the 24 September 2014.

A full copy of the council's accounts is available at www.walsall.gov.uk. Alternatively call 01922 650708 to obtain a copy.