

# **Financial report for 2019/20**

Containing the council's statement of accounts and annual governance statement



**Walsall Council**

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## Section A – Statement of accounts

### Preface

#### Introduction to the 2019/20 statement of accounts

Like all local authorities Walsall has faced many challenges linked to national austerity measures but through our local and regional partnerships the council has retained a strong position that continues to be built upon.

These financial statements set out in detail the financial position of the council for the year up to the 31 March 2020. It provides details on how the council has spent its money, where funding has come from. It also provides details of asset, liabilities and other relevant or significant information to assist in understanding the council's financial position.

Financial performance for the year has been broadly in line overall with the 2019/20 budget. The revenue outturn for services was £0.291 million under. Our balance sheet has decreased by c.£21 million; the ratio of long-term borrowing to long-term assets is down slightly from 2.05 to 1.86 mainly linked to an increase in long term borrowing (c.£18 million) from previous years to help finance the councils capital investment and to help fund advance contributions to the West Midlands Metropolitan Authorities Pension Fund early in 2020/21.

The authority's treasury management activity has continued to deliver robust outcomes with average interest rates payable on loans being 3.74%, which was slightly above the target rate of 3.69%. Short term investments ended the year at c.£137 million, sufficient for our capital projects and earmarked reserves. The average investment income rate of 1.20% exceeded the target rate for the year by 12 basis points.

Reflecting on what has been delivered during 2019-20 in the context of the Council's priorities outlined within its Corporate Plan this has been another challenging financial year, but again there is much to be proud of, with some highlights of our achievements shown below.

Within the economic growth priority:

- Progress with reopening the Walsall to Wolverhampton rail line including proceeding with plans for new stations in Darlaston and Willenhall with rail operators.
- Advanced works in preparation for the £78 million complete redevelopment M6 junction 10 to improve the infrastructure for the borough including intelligent traffic signal technology installations along the A454 and A4148.
- As the accountable body for the Black Country Local Enterprise Partnership, we successfully administered almost £300 million of funding across the Black Country, with £100 million supporting regeneration activities and transport improvements that benefit the borough.
- Agreed a visionary Walsall Town Centre Masterplan together with a 6 month action plan to make our town centre cleaner and safer - responding to what residents and visitors told us during consultation. To support the Masterplan's delivery we are pursuing Future High Streets Funding and LEP and Combined Authority money to deliver our ambitions for our town, focused on the Prominent Rail Station and Connected Hubs elements of the Masterplan.

- Multi-million pound investment has been secured to support the remediation of the Phoenix 10 site which will deliver 57,575 sqm employment floor space and circa 1100 new jobs once completed.
- Expanded the role and remit of the successful private sector-led Walsall Economic Board to include steering the development of the Town Deals for Bloxwich and Walsall. Our Town Board could lever an additional £50million of government investment into these areas to help with their economic growth.
- Worked on a number of schemes to develop new homes in the borough including securing £9.7 million investment, in collaboration with the WMCA and BC LEP, to deliver approximately 603 new homes on the former Caparo, Goscote Works and Harvestime Bakery sites; construction of 407 new homes commenced on the former Goscote estate, which will include 126 affordable properties and 205 new homes at Wards Keep and Heathfield Lane West.

Within the people priority:

- Increased nursing bed capacity within the borough to meet increased demand and support discharges from the local acute service.
- Provided employment support to 172 people who presented with a health barrier or learning difficulty, including poor mental health, physical disability, dyslexia or dyspraxia through our Walsall Works programme. 35% of the young people engaged in the Black Country Impact programme declared a disability or health issue.
- Implemented a new Strengths Based Approach in adult social care to improve outcomes for adults with care and support needs and their families. The introduction of the '3 conversations' model as a strengths-based innovative to needs assessment and care planning focuses primarily on people's strengths and community assets.
- Worked on maximising the use of corporate assets such as Goscote centre to enable co-location of Children with Disabilities and SEND with Learning Disabilities, promoting wider partnership working and encouraging more local conversations with health colleagues to develop all age approach.

Within the internal focus priority:

- Attracting additional funding in excess of £3 million through developing detailed financial modelling for bids to set up Family Drugs and Alcohol Court (FDAC) and Strengthening Families, Protecting Children (SFPC) initiatives.
- The use of more technologies to enable more flexible working to better serve customers. We are modernising our IT services to increase availability and improve resilience so we can better meet the needs of our customers.
- Modernised services for customers and delivered a number of improvements including:
  - Making it easier for people to claim council tax reduction with 80% of applications now received on-line, speeding up the process.
  - New online functionality for Council Tax, Business Rates and Housing Benefit has increased the opportunities for customers to interact with the council when convenient to them. This has seen a 30% in the last six months in the use of online facilities.
  - Dealing with housing benefit applications quicker than the national average (11 days compared to 17 days nationally) meaning residents are less likely to fall into rent arrears. Changes in entitlement to housing benefit are also managed quicker than the national average.

- Strengthening our Apprenticeship Programme with currently 394 staff (Corporate – 226, Schools – 168) accessing our Apprenticeship Levy, spent on improving the skills / qualifications of the workforce, ensuring they are fit for the future.
- Launched the Mental Health First Aider Scheme and have 40 individuals engaged in providing mental health support to employees experiencing a mental health episode. These mental health first aiders were key to supporting staff mental health and well-being during the response to coronavirus.

Within the children priority:

- Increased the number of 2 year-olds accessing early education by encouraging and supporting parents to identify and access suitable provision. Around 80% of eligible children now benefit from early education which will help to ensure that they develop the skills needed to be 'school ready' when they begin their formal education.
- Supported our more vulnerable children to improve their education outcomes. At key stage 2, the gap for the percentage of children who achieve the expected standard in Reading, Writing and Maths has reduced by:
  - 2% points between children who are eligible for free school meals and those who are not
  - 3% points between children who are in receipt of SEN Support and those who are not
  - 4% points between children who are in receipt of an Education, Health and Care Plan and those who are not.
- Received positive feedback from a focussed two-day Ofsted visit in October 2019 which looked at the quality and impact of services offered at the front door. It concluded that "The quality of work in responding effectively to contacts has improved since the last inspection in 2017. This is positive for children and families in Walsall, who receive a timely response to initial identified needs and concerns".
- Continued to ensure that outcomes for Care Leavers improve with:
  - Over 60% of Care Leavers in Education, Employment and Training – higher than the national average.
  - 10% of Walsall's care leavers go onto higher education compared with just 6% nationally
  - Over 40% of carers remain living with their foster carers after the age of 18 ensuring that they continue to benefit from stability and support.

Within the communities' priority:

- Through the One You Walsall Healthy Lifestyle Service we have managed over 4000 referrals with the majority of individuals achieving a positive change in their health. We are also supporting 24 businesses to improve the health and wellbeing of their employees.
- Food for Life (Healthy eating in schools programme) are now working with large numbers of early years settings and primary schools to embed healthy eating into the school/nursery day and encourage communities to grow and prepare healthy food.
- Facilitated annual Sha'ban event for members of the Muslim community. This event entails a gathering of community members at Streetly Cemetery after sunset to carry out a full evening of prayers for their departed loved ones.
- Fully modernised our Homelessness services, enabling over 240 homelessness preventions, and over 300 reliefs whilst also working towards an end to street homelessness through;
  - Reducing rough sleeping by 45%,

- Leading the West Midlands with the Housing First initiative which provides rough sleepers with a home of their own and as much support as needed, with over 50 people housed and supported,
- Developing and launching an Alternative Giving Scheme, to enable public and business donations to help rough sleepers.
- Built on the use of the Lichfield Street Hub, a Grade II listed Edwardian building formerly known as the Central Library following completion of a sensitive £4.56m renovation. The Hub offers a diverse range of activities for Walsall residents and communities from 'Tiny Tots' to Walsall Works Job Clubs to mindfulness colouring groups.
- Agreed the Safer Walsall Partnership Plan with its '20-20 vision' to tackle crime and disorder and create a safer Walsall, aspiring for strong and resilient communities where people are safer from harm and feel they belong.

The Walsall Proud Programme, which was officially launched during 2019/20, continues to progress with significant investment aimed at delivering a better customer experience, better staff engagement and ultimately reducing costs – with financial benefits included within the 2020/21 budget approved by Council on 29 February 2020. This is also supported by major investment in IT to ensure the council is fit for the digital age and can continue to deliver services which we will be proud of.

The emergence of the Covid-19 pandemic in late 2019/20 has obviously had a significant impact on the delivery of some council services and residents of the borough. It has also created a challenging financial environment for the council to operate within. The council is playing an active role in the overall national response to Covid-19, including the administration of business rate reliefs and grants, supporting households through the council tax reduction scheme, supporting the care market, supporting vulnerable residents and other initiatives, with the council's investment in IT meaning that significant numbers of staff can and are working remotely. Further detailed information on how the council has responded to the Covid-19 can be found on page 22 of the narrative report.

Looking forward to 2020/21 the next Comprehensive Spending Review, Fair Funding Review and the review of future models of Business Rate retention have all been delayed due to various reasons. All of these will potentially have a significant impact on the financial resources available to local authorities over the medium term.

Deborah Hindson  
Executive Director – Resources and Transformation (Interim)  
XX November 2020

# Narrative report

## 1. Introduction

These accounts set out the financial results of Walsall Council's activities for the year ending 31 March 2020. The council manages its affairs to ensure the economic, efficient and effective use of resources, the safeguarding of its assets and to ensure the financial resilience and stability of the organisation into the future. This is vital if the council is to continue to play a leading role in the life of Walsall's residents and provide high quality services for their benefit. The task is shared by all members and officers under the leadership of the Executive and Corporate Management Team. The Section 151 Officer has a particular role in ensuring financial stewardship.

This statement of accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting based on International Financial Reporting Standards (IFRS) (the Code) which requires that the accounts present a true and fair view of the financial position of the council. Suitable accounting policies have been employed and applied consistently. Where necessary, judgements and estimates have been made which comply with the Code. The council keeps proper and up to date accounting records, maintains effective internal control and risk management systems and takes reasonable steps for the prevention and detection of fraud and other irregularities.

This section aims to explain the main information in the statement of accounts, give an overview of the council and the council's financial and non-financial performance, and the pressures, risks and opportunities that may impact future performance.

## 2. An introduction to Walsall

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

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

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

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



## Population

Based on the last census in 2011 and mid-year estimates provided by the Office of National Statistics, the information below provides a snapshot of the current make-up of the population of Walsall.

- Walsall has an estimated resident population of 285,478 split 49.2% male and 50.8% female.
- The number of residents in the borough has increased over the past decade, reversing the periods of population decline seen through the 1980s and 90s.
- In comparison to England, Walsall has a lower proportion of working age people and more children and older people.

## 3. Key information about Walsall Council

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

### Council structure

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

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

### Management structure

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

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

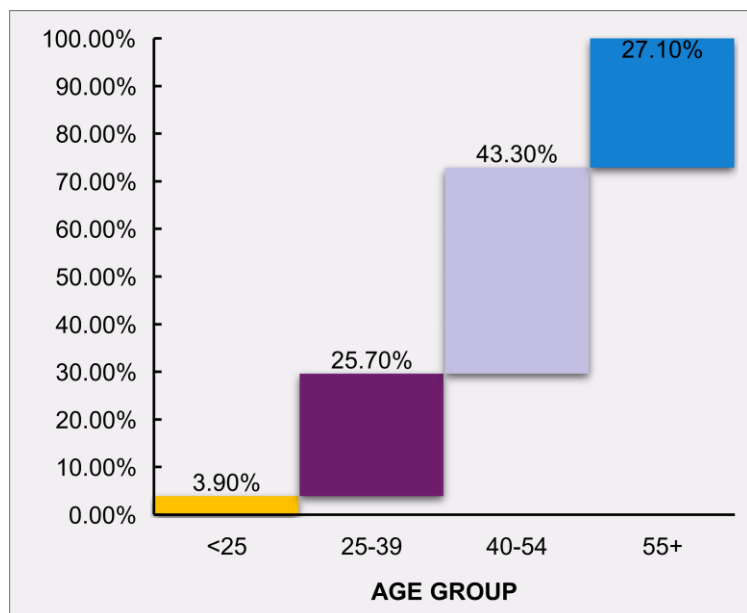
- Children's Services, Executive Director - Sally Rowe
- Economy and Environment, Executive Director - Simon Neilson
- Resources and Transformation, Executive Director (Interim) – Deborah Hindson
- Adult Social Care, Executive Director (Interim) – Kerrie Allward

The role of the Corporate Management Team is:

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

### Council officers

As at 31 March 2019 the council employed 3,141 people (3,223 as at 31 March 2018) excluding school based employees, of which 989 were male (1,012 as at 31 March 2018) and 2,152 were female (2,221 as at 31 March 2018). The graph below represents the age breakdown of the council's workforce. It shows that 43% of council's workforce is between 40 and 55, a 3% decrease compared to the previous year. A further 27% are aged 55+ which represents a 2% increase to the previous year.



Age breakdown of Walsall Council's workforce

At the time of writing there is no comparative data available as at 31 March 2020.

## 4. Corporate plan

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

### Our vision

#### Inequalities are reduced and all potential is maximised

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

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

### Our purpose

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

As a local authority Walsall Council has a statutory duty to deliver specific services within the borough boundaries for all people and communities in Walsall. This duty includes a huge range of services

from services to vulnerable adults and children to planning applications and from the collection of waste to the collection of council tax and non-domestic rates.

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

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

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

### Our priorities



## 5. The council's 2019/20 financial performance

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

### Revenue expenditure

The comprehensive spending review and subsequent local government settlements has seen a considerable reduction in local government funding from central government.

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

In the financial year ended 31 March 2020, the council saw a net cost of services of £262.237 million (comprising £412.064 million gross income and £674.301 million gross expenditure). In addition to this the council also received other taxation and non-specific grant income of £299.980 million, other operating expenditure of £30.402 million and financing and investment income and expenditure of £22.579 million. This resulted in a deficit on the provision of services of £15.238 million.

Overall, the comprehensive income and expenditure statement (CIES) shows a deficit of £21.424 million for the year. This represents the deficit of £15.238 million on the provision of services, adjusted for other movements in reserves that under accounting regulations do not get charged to the provision of services including a revaluation loss in non-current assets of £4.102 million, a revaluation loss on equity instruments of £9.602 million and re-measurement of pension fund assets and liabilities of £7.926 million. This amount can be reconciled to the movement on net assets between 2018/19 and 2019/20 on the balance sheet.

The cost of provision of services shows a deficit of £15.238 million, however general reserves have decreased by £1.259 million. This is a result of the council making statutory adjustments of £19.838 million for items such as depreciation, impairments of fixed assets and entries in relation to pension costs (these adjustments are required by regulation otherwise council tax levels would need to be raised to cover such accounting costs) and a transfer of earmarked reserves being set aside for specific purposes of £5.859 million (see note 7, page 61).

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

	Budget £m	Actual £m	Variance £m	Note
Opening general fund balance	(15.669)	(15.669)	0.000	6
Use of general fund balances in year	1.550	1.259	(0.291)	6 & 7
<b>Closing general fund balance</b>	<b>(14.119)</b>	<b>(14.410)</b>	<b>(0.291)</b>	<b>6</b>

The council had budgeted for a net in-year use of reserves of £1.550 million. Actual general reserves have moved from an opening position of £15.669 million to a closing position of £14.410 million as at 31 March 2020 as a result of a net deficit of £1.259 million. This has therefore resulted in an underspend against budget for the council of £0.291 million. These movements can be seen within the movement in reserves statement on page 37.

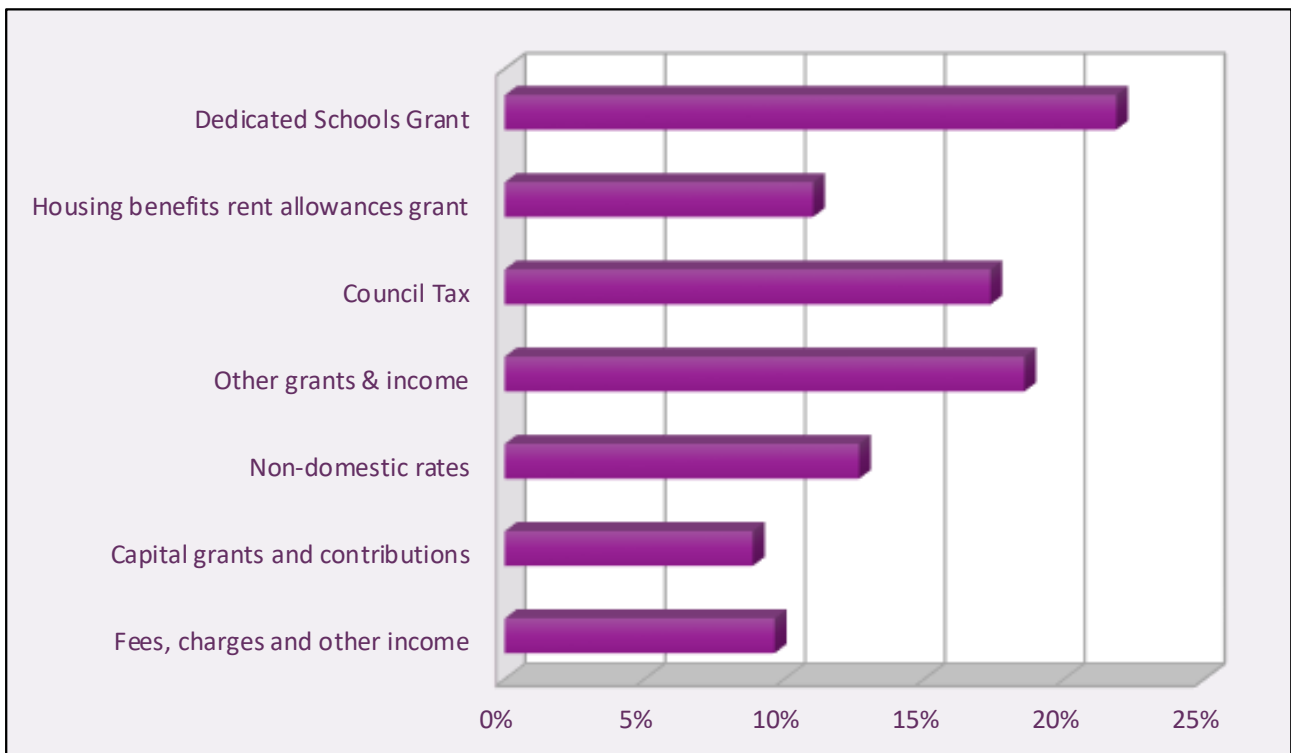
## Material movements in the CIES

Capital grants used to finance revenue expenditure funded from capital under statute have increased by approximately £7 million mainly as a result of an increase in using growth deal grant in 2019/20 compared to 2018/19.

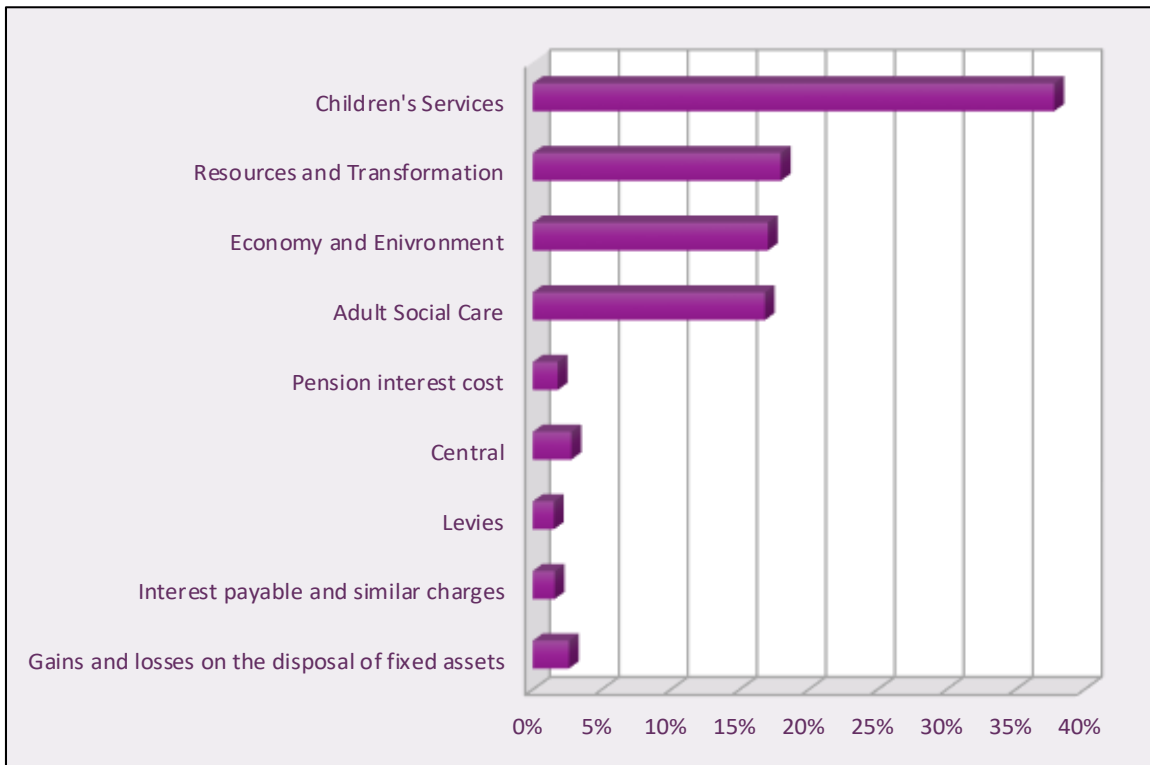
The council has experienced an increase of approximately £19 million of losses on the disposal of fixed assets in 2019/20 when compared to 2018/19. This is due to three schools converting to academy status in 2019/20 with the assets transferring to the new academy trusts. This resulted in the council derecognising these assets.

The re-measurement gain on the pension fund of approximately £8 million represents a significant change in the funding status of the pension fund following a re-measurement gain in 2018/19 of approximately £40 million. This is due to significant gains on financial assumptions which are offset by losses in demographic assumptions and losses resulting from the triannual fund valuation carried out in 2019/20. The council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation (note 14 page 66).

The following graph shows the sources of income received by the council within the CIES on page 35.



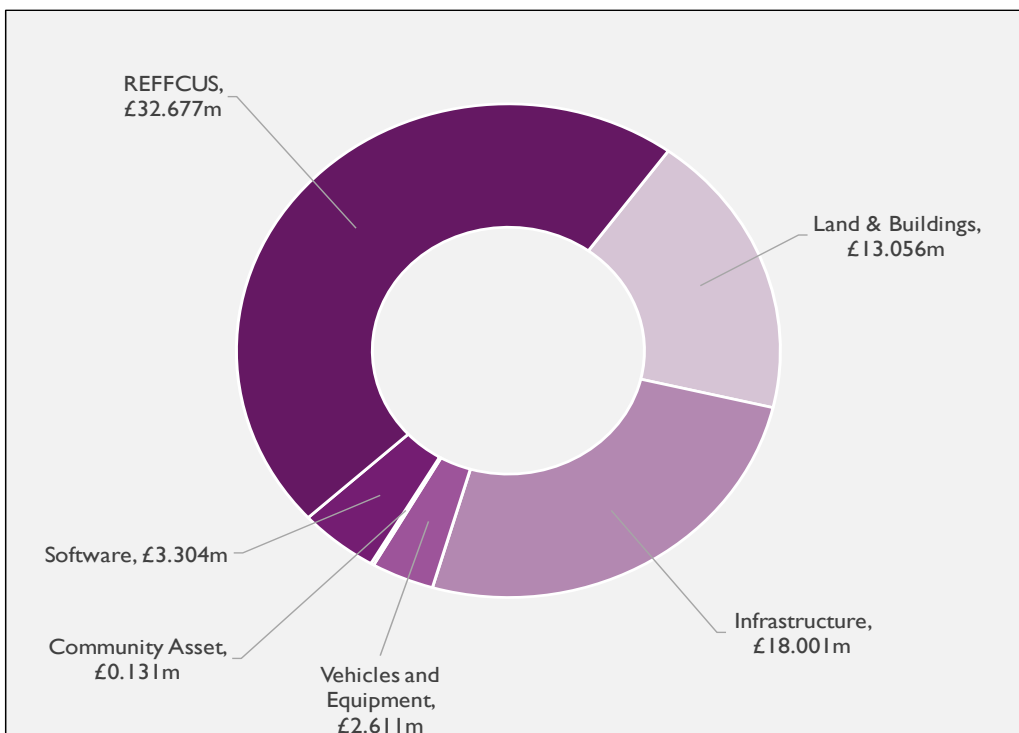
The following graph shows how the council's total expenditure within the CIES (page 35) is split between services.



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

**Capital expenditure**

Capital expenditure in 2019/20 amounted to £69.780 million. The breakdown of capital expenditure (note 0, page 83) is shown below.



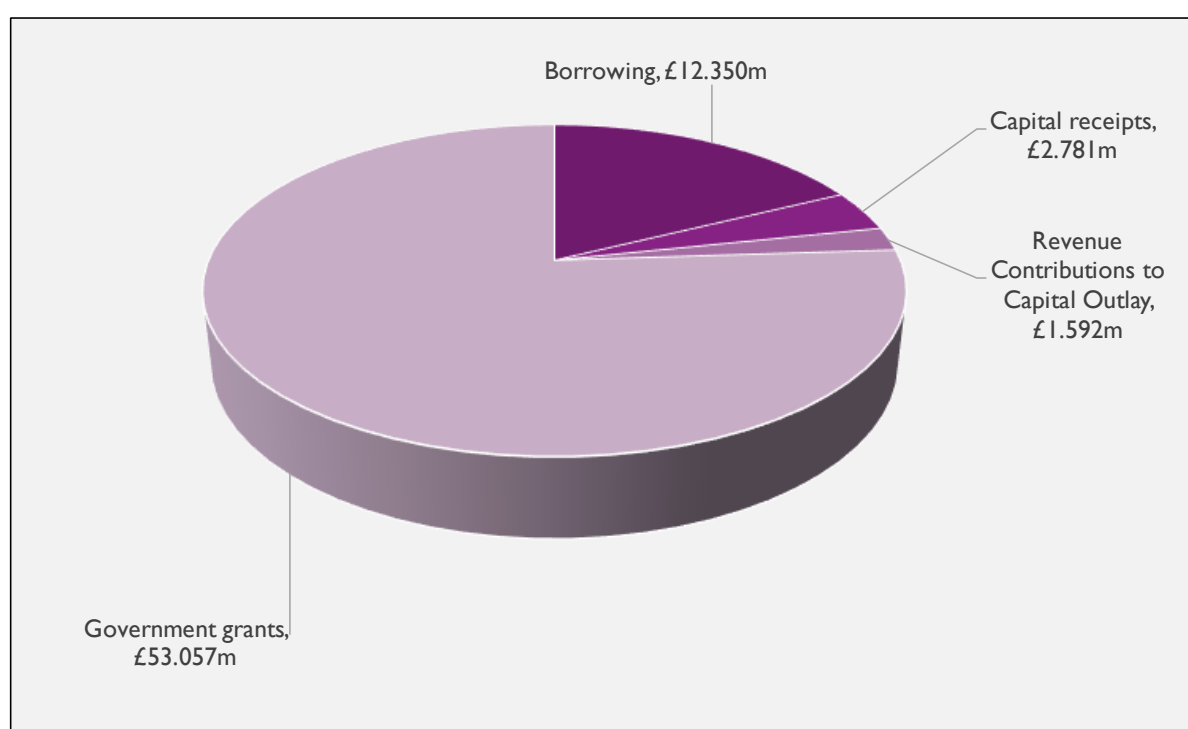
REFFCUS = Revenue Expenditure Funded From Capital Under Statute



The major areas of capital expenditure were £13.056 million on land and buildings, £18.001 million on infrastructure including roads maintenance and £32.677 million on revenue expenditure funded from capital under statute (REFFCUS). REFFCUS expenditure arises when capital expenditure is incurred on assets not owned by the council and, therefore, cannot be added to the council's asset register and balance sheet.

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

Capital expenditure was funded by grants and contributions (£53.057 million), borrowing (£12.350 million) and other council resources (£4.373 million).



The council has two private finance initiative (PFI) schemes, one for the build and operation of St Thomas More School and another for the replacement and operation of the council's street lighting. The council has financial commitments (see note 28 on page 86) 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 2020 Walsall Council's balance sheet (page 37) shows a negative net worth of £174.269 million. This is largely due to the government policy of academy conversion of local authority schools and the deficit on the West Midlands Metropolitan Authorities Pension Fund.

Since 2008 the council has seen a total of 36 schools convert to academy with a combined balance sheet asset value of £296.254 million. The council is not compensated for any academy conversions regardless of whether there has been any borrowing in prior years to finance capital spend associated with these assets. This means that for each academy conversion the council's balance sheet is further reduced.

The council's liquidity ratio, that is a measure by how much the council can cover its current liabilities by its current assets, is **2.39** (up from 1.68 in 2018/19). **The increase in the liquidity ratio is mainly a result of an increase in cash and cash equivalents in part due to receipt of Covid-19 grants in March 2020.** The council can cover its long-term borrowing by its long-term assets by **1.86** (decrease from 2.05 in 2018/19). **This decrease is due to decreases in asset values following disposals and asset valuations.** These ratios indicate that whilst the balance sheet is negative the council is more than able to meet both its short term liabilities and its borrowing requirements. These accounts are accordingly prepared on a going concern basis.

The balance sheet for the year has seen a decrease of £21.424 million in total net assets from a negative £152.845 million to negative £174.269 million. Excluding the total net pension liability of £572.439 million (£531.510 million in 2018/19) the council shows a net asset balance of £398.170 million (£378.665 million in 2018/19). This combined with the above ratios for liquidity and assets over liabilities demonstrate a sound financial position.

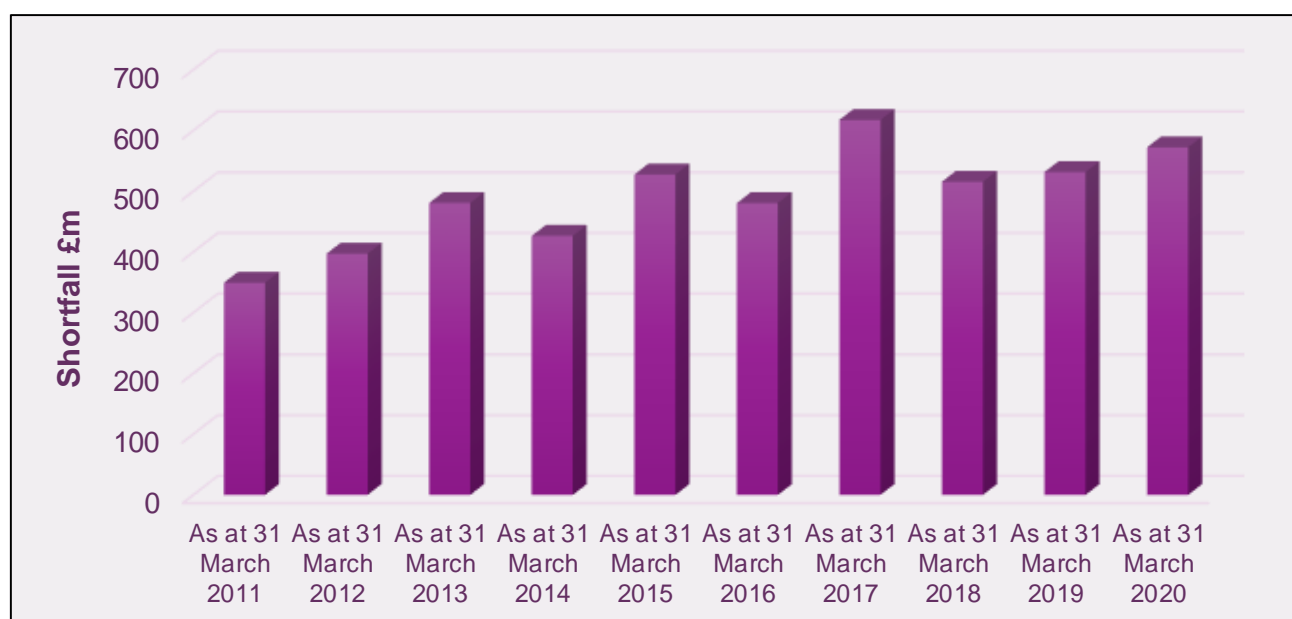
### Material and unusual changes to non-current assets

During 2019/20 the only material change to non-current assets was due to three schools obtaining academy status. Further information about this can be found in note 20 page 78.

### Pensions

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

As at 31 March 2020 there is an actuary calculated shortfall for Walsall Council of £572.439 million (£531.510 million at 31 March 2019) between the forecast cost of future pensions and the value of the assets currently held within the pension fund. The calculated shortfall is a very volatile valuation, caused by fluctuations in the financial markets. The movement in the shortfall over the last ten years since the council has been required to account for pensions according to accounting standards can be seen below.





The forecast pension payments represented by the calculated shortfall will be paid out over a period of many years during which time the assets will continue to generate returns towards funding them. In addition future changes in the equity market will adjust the value of the fund assets.

The West Midlands Metropolitan Authorities Pension Fund underwent its triennial revaluation in 2019/20 based on conditions at 31 March 2019. This revaluation reviewed the current condition of the fund and its ability to meet current and future pension obligations. The revaluation determined the contribution rates based on a requirement to bring the fund to a breakeven position over the following 16 years from 31 March 2020.

The council in April 2020 will be making payments to the West Midlands Metropolitan Authorities Pension Fund totalling £89.9 million for covering contributions for 2020/21 and advance contributions for 2021/22 and 2022/23. The advance contributions will then be released in the relative year. As a result of this upfront payment the council will realise savings against budgeted costs over this next triennial revaluation period.

### Treasury management

Walsall Council has a successful treasury management strategy that has continued to maximise investment income and minimise interest payments without undue or inappropriate exposure to financial risk.

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

The council ended 2019/20 with short-term investments of **£124.927** million (£121.162 million 2018/19). Use of these investments will be required to fund those capital projects currently underway where completion is due beyond 31 March 2020 and for the planned use of earmarked reserves in future years.

The target investment rate receivable by the council for 2019/20 was 1.08% however as at 31 March 2020 the actual rate was 1.20%. When compared to current market conditions this rate shows the council continues to maximise investment income. In cash terms this means the council received £2.572 million (£2.308 million in 2018/19) of investment income. This is in addition to £1.383 million (£1.361 million in 2018/19) of dividend income from shares held in Birmingham Airport, and £0.870 million (£0.835 million in 2018/19) of dividend income from holdings in the CCLA Local Authorities Property Fund.

At 31 March 2020 the council's external long term borrowing was **£308.773** million (£290.678 million as at 31 March 2019). Short term borrowing as at 31 March 2020 was **£6.968** million (£21.123 million as at 31 March 2019). **Increases in both long term borrowing were required to fund contributions to the West Midlands Metropolitan Authorities Pension Fund for 2020/21, along with advance contributions for 2021/22 and 2022/23 in April 2020.**

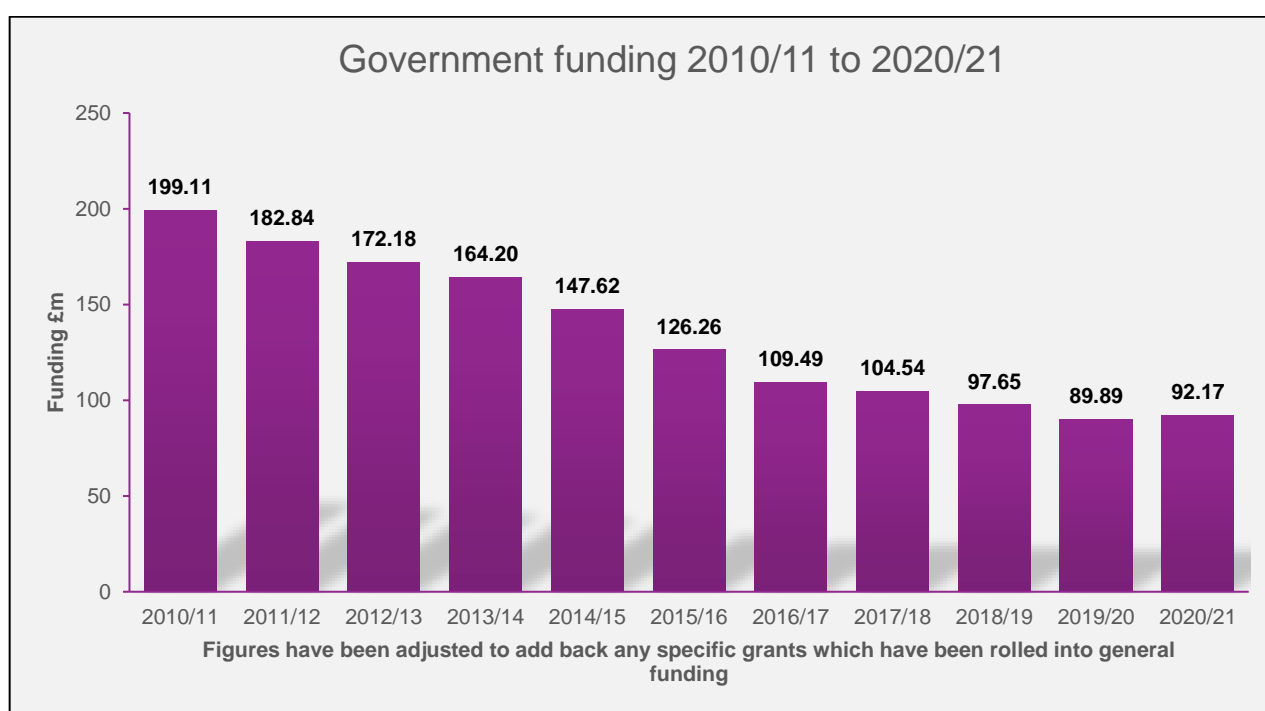
The interest costs associated with this debt represent 5.46% of the net budget requirement for the year, at an average interest rate of 3.74% compared to the target interest rate for the year of 3.69%.

## 6. The impact of the current economic climate going forward

The council's budget is a financial representation of the organisation's plans for the forthcoming financial year and beyond. In times of economic uncertainty, it is imperative that the council plans over the medium term. The council's budget reported to full Council on 27 February 2020 looks over the lifetime of the spending review period 2020/21 to 2022/23 in some detail and is constructed as an integral part of the council's planning processes. It is aligned to its priorities and objectives and specifically the council's corporate plan, strategic economic plan, and workforce development plan. This is severely being tested by the impact of Covid-19 (see page 22). This has been, and will continue to be, monitored and reported and financial plans amended as appropriate.

### Our pre Covid-19 challenges

Around half of Walsall's funding comes from Government grant (58% - top up, schools DSG and some specific service grants). In 2010, Walsall received £199m of Government core funding support to deliver services, alongside income generated from council tax. Between 2010/11 and 2020/21, Government has cut funding by c.£107m. Alongside cost pressures over the same period, savings totalling c.£201m have had to be identified and implemented.



By 2020/21 local government was expected to become fully self-funding, with core revenue support grant ceasing and the introduction of 100% localisation of business rate retention (BRR), as opposed to the current 49%. However, Government has changed its plans, with a target of 75% now in place, however this has also now been deferred as a result of Covid-19. The Government expected that national increases in growth in rate yields would fully offset the reduction in core funding. The reality is that many deprived councils, such as Walsall, due to its relative need and business rate yield, will be unable to fully cover this funding shortfall.

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

The council's second largest source of funding is council tax (c.19.9% of the council's gross spend is funded from council tax), which continues to be subject to Government restrictions on the amount that can be raised from this income stream, previously through 'capping', and now through the referendum principles. The budget currently assumes council tax increases of 1.99% over the next three years, with an additional 2% in 2020/21 for Adult Social Care activity, in line with current referendum principles.

The future financial environment therefore continues to be challenging for councils for 2021/22 and beyond, with significant uncertainties in future grant, including public health, better care fund etc. One of the major thrusts has been that local authorities can now keep a share of the business rates generated within their area rather than pooling for national redistribution, however this benefit is limited by other parts of the funding mechanism, such as Government top slicing of funds to meet new burdens, safety net authorities, national capitalisation targets, etc.

The government launched the Fair Funding Review in 2016 and it was scheduled for implementation in April 2020; however, implementation was postponed. This policy will change the 'needs assessments' of local authorities and therefore the distribution of funding between different councils.

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

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

- Continued reductions in core government grant funding, for example:
  - Impact of full business rate retention (BRR) as part of the West Midlands pilot, and changes to the Government's intention to move to 75% retention for all non-pilots.
  - Impact of the Government's next Spending Review during 2020, which is expected to include a 'Fair funding' review of council services, to include the setting of new baseline funding allocations.
  - Public Health grant – this was expected to be transferred fully into BRR from 2020/21, and become un-ringfenced, but no further guidance has been issued. There is limited intelligence as to how this will impact, and we expect that this will be addressed as part of the next spending review period for 2021/22 onwards. Once subsumed into BRR, a significant chunk of this could be lost in future funding reviews.
  - Continuation or otherwise of other specific grants e.g. improved better care fund, social care, troubled families etc.
- Increases in demand:
  - From an ageing population putting strain on local authority systems both in financial and operational terms. For example, adult social care packages and placements costs have risen by £15.87m from £56.21m in 2010/11 to £72.08m in 2020/21.
  - For looked after children, and the associated impact on numbers of social workers, and costs required to support these children. There were 488 in March 2011, compared to 644 in January 2020.
- Emphasis on joined up working - ongoing pressure for the Authority, local NHS and partners to further integrate services in line with the Government's national agenda.

- Government reliance on individual council's ability to raise income through council tax increases, rather than providing national ongoing funding to support social care pressures, etc.
- Welfare reform, including universal credit.
- Increased corporate costs, including costs in relation to pay and pensions.

### **The Medium Term Financial Strategy (MTFS)**

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

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

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

The council adopts a policy-led, medium term approach to financial planning, seeking to ensure our budgets are clearly linked to our vision, aims and objectives. We are committed to maintaining financial stability and delivering value for money through effective and efficient services.

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

### **2020/21 revenue budget headlines**

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

- A focus on a policy-led, medium term, risk assessed budget setting approach using priorities established by Cabinet,
- A total net council tax requirement of £127.57m,
- A 3.99% council tax increase, equivalent to a Band D Council Tax of £1,782.90 (excluding precepts) and £2,007.26 (including precepts) subject to confirmation of final precepts,
- Investment of £6.86m for Adult Social Care cost pressures primarily to cover demographic changes,
- Investment of £5.90m for Children's Services cost pressures primarily to cover Looked after Children, management of caseloads, demographic changes and contractual inflation,
- Provision for other known budget pressures, including cost pressures and reduced levels of income or grant, of £7.75m,
- Provision for pay related costs of £5.83m,
- Bringing total investment to £26.34m,

- A new Social Care grant of £6m and the continuation of the current Social Care grant of £2.46m, as announced in the Spending Round 2019 on 4 September 2019. This will fund the investment in Adult's and Children's social care contained within the MTFO.
- Savings requirement of £8.76m,
- Appropriate use of prudential borrowing to support capital investment where affordable and sustainable with revenue costs being reflected in this report,
- Opening general reserves of c.£13.55m in line with our Medium Term Financial Strategy.

### **Summary of the 2020/21 capital programme**

The council has an asset portfolio of around £515m. Therefore managing and maintaining these assets is a key issue for the council to ensure they continue to be fit for purpose and their value is maintained. The capital programme is key to delivering the council's vision and priorities.

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

The 2020/21 capital programme totals £98.36m consisting of:

- Council funded programme (£31.32m) - funded through borrowing and capital receipts. Of this £0.75m is identified for council wide schemes, funding to support essential works including health and safety and other projects that cannot be guaranteed at the start of the year. A further £10.2m is included to fund infrastructure and technological improvements as part of the council's Proud Programme.
- Non-council funded programme (£67.04m) - funded from capital grants.

In addition, the council's leasing programme for 2020/21 is £4.4m, the revenue costs of which are funded from services own budgets.

Capital resources will continue to be limited in the future, inevitably placing more pressure on our ability to make future capital investment decisions. Funding will be more reliant on the council's ability to secure capital receipts from sale of land and buildings or affordable additional borrowing. A strategic review of assets will be undertaken as part of the Walsall Proud (Transformation) Programme, which will inform the revision of the Capital Strategy and formulation of future years capital programmes.

### **Brexit**

2019 was a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January. The Conservative Government gained a large overall majority in the general election on 12 December; this ensured that the UK left the EU on 31 January. However, there will still be much uncertainty, as the detail of a comprehensive trade deal will need to be negotiated by the current end of the transition period in December 2020, which the Prime Minister has pledged he will not extend. This could prove to be an unrealistically short timetable for such major negotiations that leaves open three possibilities; a partial agreement on many areas of agreement and then

continuing negotiations to deal with the residual areas, the need for the target date to be put back, probably two years, or, a no deal Brexit in December 2020.

## 7. Covid-19

Covid-19 was categorised as a pandemic by the World Health Organisation on 11 March 2020. This has had an effect on Walsall as it has the rest of the UK and world. This section attempts to highlight on a broad scale the effects and actions that have been taken within Walsall as a result of Covid-19.

### Provision of services

The council is playing an active role in the overall national response to Covid-19, including the administration of business rate reliefs and grants, supporting households through the council tax reduction scheme, supporting the care market, supporting vulnerable residents and other initiatives. The council's response has been directed through the establishment of two senior management officer groups which meet on a regular basis. The first of these, the Gold Control group, was established to manage the strategic impact of the Covid-19 crisis taking into account national, regional, and local issues that have an impact on the functioning of the Council and the welfare of its residents and employees. The other group, Silver Control, focusses on managing operational issues at a local level.

The work of these groups have been focused on 6 priorities, with key achievements from each set out below:

1. Business continuity – Co-ordination of response to ensure the continuation of council services and management of sickness and deployment of staffing resource to priority areas. This has meant that although a number of council services, mainly based on government requirements, have been suspended, the majority of council services have continued with the councils investment in IT meaning that significant numbers of staff can and are working remotely.
2. Protecting our most vulnerable – Review of the care market to identify and implement appropriate measures to support provider cash flow and sustainability, alongside co-ordination of the social care workforce to continue to provide support to our vulnerable residents.
3. Providing civic leadership and mobilising the community - Working with, and provision of additional funding to, community associations and partners to enable emergency support and provision of equipment and food parcels to vulnerable individuals and their families.
4. Support to the continuation of provision of healthcare – Working in partnership with our health colleagues to provide support to ensure there is a smooth transition out of hospital to free up beds. We are also working with colleagues to help reduce the need for escalation into hospital.
5. Mitigating the economic impact - Administration of the governments business rate reliefs and grants and hardship funding, and putting in place appropriate mechanisms to make timely payment of these funding streams whilst reducing the risk of fraud.
6. Reset and recovery – Development of plans to transition from emergency response to turnaround and business resetting in the immediate, mid and long-term future. This has been supported by the development of guiding principles and a framework to position the new ways of working and innovation the council wants to capture to help frame reflections for resetting service delivery.



## Council's workforce

As set out above, although the council has seen a number of council services suspended, these have in the main been based on government requirements to close. The council has supported significant investment in ICT over the last few years with programmes to move council IT systems to the cloud and the roll out of mobile technology. The current situation has seen a further focus in this area to provide appropriate equipment to support more services to be able to work remotely, and the council is seeing the benefit of this with the majority of the council's workforce now being able to work remotely and continue to provide services. For those front line services where this has not been possible the council has focussed on implementing safe ways of working, including distancing and use of PPE where appropriate, for staff involved.

Sickness levels have continued to be monitored by senior management, with a focus at both Gold and Silver meetings. There has undoubtedly been a significant increase in sickness levels as a result of Covid-19 and the council has sought to manage this where possible to seek to continue to provide key services. This has seen the use of additional temporary staff where specialist skills are required, such as social care, and also the development of a staff deployment policy which has supported requests for deployment of existing staff to services which have been impacted by the current situation.

## Supply chains

As part of the council's response there has been work to review the council's supply chain. This has seen a focus on ensuring appropriate measures are in place to support provider sustainability in the care market, linked to both ensuring continued support to our vulnerable residents and the timely transition of individuals out of hospital, supported by changes to both the method by which providers are paid and the timing of this which have helped to provide capacity in the sector.

Additionally, in line with Cabinet Office requirements issued in Procurement Policy Note PPN 02/20, the authority has utilised an officer supplier support group to review all council contracts with the aim of identifying other suppliers who may be at risk and has then identified any appropriate actions that can be put in place to ensure continuity during and after the Covid-19 outbreak.

## Reserves, financial performance and financial position

The active role the council is playing in the overall national response to Covid-19, and the initiatives set out above, are however seeing a significant impact on the council's financial position. Government initially committed to fully compensating councils for the costs of authorities' responses to Covid-19 and has to date allocated £21.36m (£17.48m un-ringfenced Section 31 grant and £3.88m hardship funding ringfenced to council tax payers) of funding to help support those costs. However, as well as the initial costs of funding the council's response, the impact of Covid-19 includes significant loss of income following closure of services and facilities and Covid-19 has also indirectly impacted on the delivery of approved budget savings as the council has refocused its resources on its response to Covid-19. It is now less certain that Government will in fact fully recompense councils, however dialogue continues with the Ministry for Housing, Communities and Local Government (MHCLG) officials on this matter. Any failure of Government to meet this commitment will have significant implications for the future financial stability and sustainability of council services.

The table below summarises the estimated financial impact of Walsall's Covid-19 response between 1 April 2020 to 30 June 2020 and for every month thereafter (as reported to Cabinet on 19 May 2020).

COVID-19 pressures	April 2020 – June 2020 (£)	Per month (£)
Loss of income due to service closures/changes	2,941,243	976,963
Gold and Silver approvals for additional cost pressures	1,703,953	0
Forecast additional costs - subject to Gold and Cabinet approval	2,716,252	1,127,127
Additional costs arising from Covid-19 delay in the achievement of 2020/21 approved savings	2,145,998	911,888
<b>Total</b>	<b>9,507,445</b>	<b>3,015,977</b>
<b>Un-ringfenced Government allocation less 2019/20 Covid-19 costs of £268,942</b>	<b>(17,212,162)</b>	
<b>Balance of grant uncommitted by End June 2020</b>	<b>(7,704,717)</b>	
<b>Balance of funds uncommitted by Mid-September 2020</b>	<b>0</b>	

**In addition to the general Covid-19 Response fund, £3.8m has been provided in respect of the Hardship Fund.**

As set out in the table, the Covid-19 response fund initial allocation is expected to be sufficient to fund the impact of Covid-19 until around Mid-September 2020 (should no other pressures arise), however beyond that the council would need to start utilising general reserves. Should the impact of Covid-19 continue throughout the year the council would need to replenish utilised general reserves in year or during the 2021/22 budget setting process, putting finances under even more strain.

Further to the above, there is a potential risk that the Hardship Fund will be insufficient to fund the loss of income from council tax, as existing and new claimant levels have taken up a significant proportion of these funds. It is expected that the number of claimants will continue to increase, and that the funds will be fully exhausted. The government has not indicated if further funding will be made available for this measure where actual claimant numbers increase above the level of Hardship Funds received.

Additionally, we are currently assessing the impact on the collection fund of further claimants and or a reduction in the council tax base, including a potential deficit on the council tax collection fund should the grant be insufficient to cover the costs of supporting our residents, which will impact on 2021/22 budget setting.

### **Loss of income**

The council is facing significant reductions in sources of income, for example from currently closed services such as leisure and car parking and traded services income from schools. Given councils' reliance on this income, the ability to balance the budget beyond the short term will be extremely challenging, as whilst Government has made a commitment to funding the full cost of the crisis, it has not yet acknowledged the significance of loss of income on the council's financial position.

### **Additional cost pressures**

On the expenditure side, most costs will remain. For example, the Government's Coronavirus Job Retention Scheme enabling employees to be furloughed, does not in the majority apply to council's as they receive "public funds" which are expected to be used to continue to pay staff. Indeed, there are significant additional costs associated with our Covid-19, including staffing, support to residents and council tax payers and businesses and support to the elderly and vulnerable particularly in relation to adult social care and children's.

Costs in relation to adult social care, which may continue for some time, include the cost of maintaining market sustainability in residential and nursing and domiciliary care, as these are likely to fall on the council. There have also been additional costs of discharging and keeping people out



of hospital which will be recharged to Walsall CCG and funded from the additional allocations provided by the Government to the health service.

### *Walsall Proud Programme savings*

The 2020/21 budget is predicated on delivery of £8.77m from the Proud Programme, with a further £38.36m required to be delivered over the following two years from adopting new ways of working across the council, significantly enhancing our enabling technology capabilities, and improving our service efficiency and performance. Planned activities within the Walsall Proud Programme (WPP) have been reviewed in order to determine those activities which can continue and those which should be delayed as the council responds to the Covid-19 situation.

As part of this review, an assessment of the financial impact has also been undertaken. The overall impact is anticipated to be at minimum £2.15m, although clearly should the current Covid-19 situation last longer than the initial forecast, then this could increase by c.£912k per month.

Proud savings delivery will be kept under review and reported regularly to Cabinet. A 3 month delay could be accommodated from within the Covid-19 un-ringfenced funds as this is a clear indirect cost of Covid-19. It is important to note that these savings are still expected to be delivered, however they will now deliver only a part year effect in 2020/21. Additionally, there may be additional one-off costs as parts of the programme are paused and then reset, particularly in relation to any specialist resource required to deliver aspects of the programme. Further to this, there is a high likelihood of a knock on impact to 2021/22, as resource, once the programme is reset, will be focussed on both delivery of 2020/21 savings and implementation planning in relation to the savings required to set a balanced budget for 2021/22. This is currently being assessed.

### *Capital programme 2020/21 and impact of Covid-19*

The capital programme approved by Council on 27 February 2020 totalled £98.36m. We are currently assessing the potential implications of Covid-19 on the programme, including the impact upon;

- Potential delay in regional and national funding decisions such as the Future High Streets Fund, where decisions on funding approvals have been put back until after the summer, which may result in risk to the authority in undertaking the required land acquisitions.
- Impacts on funding conditions for example for growth deal and ERF.
- Impact on planned school expansions.
- Contractual obligations impacting on the delivery of agreed programme of works e.g. for example payment of any contractual compensation claims, which may result in reduced funding to deliver programmes of work.
- Revisions to the ICT programme to accommodate home working.
- A potential impact on the delay in assessing statutory disabled facilities grants and aids and adaptations – including a potential reduction in requests, and risks around associated grant conditions.

In addition to the above, further impacts are likely to include:

- Borrowing implications, with interest rates reductions, the authority is reviewing its investment assumptions and corresponding borrowing decisions, which are also affected by cash flow requirements from supporting the Covid-19 response.
- Capital receipts - ability to bring assets to market and uncertainty around valuations.

Discussions are also ongoing with MHCLG about potential impact and areas where the Government can support councils', including:

- Removing conditions from grant funding for a period of time.
- Providing one-off additional funding to support Covid-19 related costs e.g. highways maintenance, ICT costs to assist in home working, similar to one-off grants previously provided by the Government for specific capital programme areas, such as for potholes.
- Provision of additional Covid-19 revenue funding to support the borrowing implications of any pressures on the capital programme.
- Considering extending the use of the flexible use of capital receipts strategy regulations, to allow capitalisation of revenue expenditure.
- Or failing, this provision of supported borrowing funding.

### **Summary**

In summary, the council is able to manage the financial impact in the short term, however should the crisis continue to have such significant impact in quarter 2 and beyond, then additional actions may need to be considered, including supplementary budget savings, should Government not fully recompense councils for their losses. During this evolving period, regular updates will be reported to Cabinet on the financial implications for Walsall Council, including any recommendations for additional actions to be taken to manage the evolving situation.

### **Cash flow management**

The council is continually reviewing and forecasting its cash flow position to ensure it is able to meet its financial obligations based on extensive reviews of anticipated reductions in income and increased expenditure. The council has received a number of grants from Central Government. These consist of grants to support the council in providing a response to Covid-19. In addition there are also grants that the council are responsible for providing to both council taxpayers and local businesses to help support them during this pandemic.

Based on a number of forecasted scenarios the council has sufficient cash flow and funds to meet obligations in the short term, allowing it to remain within the current prudential indicators set out within its Treasury Management and Investment Strategy. However should the crisis continue to have such significant impact in quarter 2 and beyond, then additional actions may need to be taken to ensure the council is able to continue to manage its cash flow position.

### **Major risks to the council**

The council is having to make decisions that have a significant financial impact without a guarantee that the costs will be fully compensated for by the Government. The most obvious financial risk is therefore that the council will, if it is not fully reimbursed for all of its direct and indirect costs, overspend its 2020/21 budget, and deplete its general reserves.

The 2020/21 budget and level of operating reserves were set following a robust financial risk assessment. The level of reserves can only be set based on a set of realistically foreseeable or predicted parameters, and was judged to be sufficient for all but the most unusual of events. Due regard is made to the strategic and operational risks facing the council. Some of these relate to the current economic condition, others to potential regulatory or national issues, which may have a local impact. A global pandemic was clearly not part of that assessment and therefore our reserves, should Government not fully recompense the council for all the direct and indirect costs of Covid-19, would be insufficient to provide a sufficient cushion to avoid an overspend situation.

The short term risk of this is being managed through close management and reporting of costs, loss of income, and indirect impacts such as the delay in delivery of approved budget savings. Whilst existing finance rules are sufficient to manage the current situation in the short term, it has been considered appropriate for the council to construct a Covid-19 risk register..

## **Plans for recovery**

The Council has also begun the process of developing plans to transition from emergency response to turnaround and business resetting in the immediate, mid and long-term future. This has been supported by the development of guiding principles and a framework to position the new ways of working and innovation the council wants to capture to help frame reflections for resetting service delivery. These principles have been identified as:

### ***Reshaping and resetting***

The council will seek to plan on the basis of a “build back better” strategy – the approach will be an opportunity to rethink, reimagine, reinvent and to capture the innovative practices resulting from this time of crisis and the learning where things could have gone better. The council will not be limited by an aim of going back to ‘how it was’ or ‘business as usual.’

### ***Outcome focussed***

The approach will be informed by a systematic review of the impact of Covid-19 on service delivery and learning at service, directorate and cross cutting objectives level. The approach will ensure that the council is aligned to and feeds into the Walsall Proud Programme Outcomes, Service Levels and Delivery models workstream and council wide outcomes.

### ***Building on our strengths***

The reset objective work will utilise and build on the Authority’s assets and opportunities and the good practice within the council and elsewhere. This will include learning to date at a service level, directorate level and cross cutting level.

### ***Areas for improvement***

We will set out in our lessons learnt, those areas of weakness where things did not go so well in. We will prioritise the areas that we know we need to improve our provision and /or resilience now and in the future which may become priority areas for service reset and or service redesign.

### ***Medium and longer term***

The emphasis will be on the development and delivery of programmes, projects and activities that address need and impact over the medium and long term and ensuring a focus beyond the short-term emergency interventions associated with the crisis.

### ***Interdependency with Walsall Proud Programme***

The approach recognises the interconnectedness with the Walsall Proud Programme (WPP) and the opportunity the current context affords to repurpose the programme, utilise the programme to deliver reset objectives, accelerate WPP activity and solidify/capitalise on the gains made through sustainable new ways of working.

### ***Working with our communities***

The council will reset and reshape with our citizens, partners, businesses and communities and will consider how to make this engagement with communities meaningful and aligned to increasing resilience.

## 8. Reporting requirements for the 2020/21 accounts and beyond

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

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

Accounting changes that are introduced by the 2020/21 code are:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

The council will review these during 2020/21 and implement any necessary changes.

In addition accounting for leases which is currently carried out under IAS 17 – Leases will from 1 April 2021 be accounted for under IFRS 16 – Leases. This will require a change to the council's accounting policies for leases. Most leases where the council are the lessee will go onto the council's balance sheet meaning there is no longer a distinction between operating and finance leases for these. It is expected that there will be no change to the councils overall general fund balances as a result of this implementation of the standard. Application of this standard will not result in any retrospective prior period adjustments.

## 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 Interim Executive Director – Resources and Transformation (Section 151 Officer).
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts.

### The chief financial officer's responsibilities

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

In preparing this statement of accounts, the chief financial officer has:

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

The chief financial officer has also:

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

### Certification by the chief financial officer

I, the chief financial officer of Walsall Metropolitan Borough Council, certify that this statement of accounts gives a true and fair view of the financial position of the authority at the reporting date and of its expenditure and income for the year ended 31 March 2020

Deborah Hindson  
Interim Executive Director, Resources and Transformation  
XX November 2020

## **Approval of Statement of Accounts**

The statement of accounts was approved by the Walsall Council Audit Committee on 23 November 2020.

**Mr A Green**

Chair of the Audit Committee

23 November 2020

**Independent auditor's report to the members of Walsall Metropolitan Borough Council on the audit of the financial statements**

**Opinion**









## Core financial statements

### Comprehensive income and expenditure statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the expenditure and funding analysis (page 58) and the movement in reserves statement (page 37).

2018/2019							2019/2020					
Economy and Environment £m	Adult Social Care £m	Children's Services £m	Resources and Transformation £m	Central £m	Total £m		Economy and Environment £m	Adult Social Care £m	Children's Services £m	Resources and Transformation £m	Central £m	Total £m
(1.706)	(42.010)	(174.426)	(102.872)	(0.007)	<b>(321.021)</b>	Government grants (Note 17)	(1.810)	(44.390)	(183.301)	(87.730)	(2.446)	<b>(319.677)</b>
(11.724)	(0.750)	(0.961)	(3.254)	0.000	<b>(16.689)</b>	Grant income for capital expenditure classed as revenue (REFFCUS)(Note 17)	(19.316)	0.000	(0.704)	(3.196)	0.000	<b>(23.216)</b>
(23.825)	(11.557)	(13.287)	(14.012)	(5.861)	<b>(68.542)</b>	Fees, charges and other service income	(24.334)	(13.828)	(11.945)	(13.274)	(5.790)	<b>(69.171)</b>
<b>(37.255)</b>	<b>(54.317)</b>	<b>(188.674)</b>	<b>(120.138)</b>	<b>(5.868)</b>	<b>(406.252)</b>	<b>Gross income</b>	<b>(45.460)</b>	<b>(58.218)</b>	<b>(195.950)</b>	<b>(104.200)</b>	<b>(8.236)</b>	<b>(412.064)</b>
32.080	16.622	159.866	33.273	26.473	<b>268.314</b>	Employee expenses	33.730	15.481	170.692	36.120	14.336	<b>270.359</b>
53.803	95.978	82.766	97.498	1.037	<b>331.082</b>	Other service expenditure	67.266	103.752	84.663	86.157	3.016	<b>344.854</b>
10.476	3.130	9.612	7.996	0.652	<b>31.866</b>	Support service recharges	11.574	3.156	9.768	6.915	0.652	<b>32.065</b>
12.616	0.304	5.075	3.908	0.000	<b>21.903</b>	Depreciation, amortisation and impairments	11.478	0.799	4.605	4.932	0.000	<b>21.814</b>
6.192	(0.148)	5.167	0.391	0.000	<b>11.602</b>	Revaluation losses/(gains)	0.716	(0.055)	7.017	(2.469)	0.000	<b>5.209</b>
<b>115.167</b>	<b>115.886</b>	<b>262.486</b>	<b>143.066</b>	<b>28.162</b>	<b>664.767</b>	<b>Gross expenditure</b>	<b>124.764</b>	<b>123.133</b>	<b>276.745</b>	<b>131.655</b>	<b>18.004</b>	<b>674.301</b>
<b>77.912</b>	<b>61.569</b>	<b>73.812</b>	<b>22.928</b>	<b>22.294</b>	<b>258.515</b>	<b>Cost of services</b>	<b>79.304</b>	<b>64.915</b>	<b>80.795</b>	<b>27.455</b>	<b>9.768</b>	<b>262.237</b>

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2018/2019							2019/2020					
Economy and Environment £m	Adult Social Care £m	Children's Services £m	Resources and Transformation £m	Central £m	Total £m		Economy and Environment £m	Adult Social Care £m	Children's Services £m	Resources and Transformation £m	Central £m	Total £m
77.912	61.569	73.812	22.928	22.294	258.515	<b>Cost of services</b>	79.304	64.915	80.795	27.455	9.768	262.237
0.000	0.000	0.000	0.000	10.964	<b>10.964</b>	Other operating expenditure (Note 5)	0.000	0.000	0.000	0.000	30.402	<b>30.402</b>
8.462	0.000	0.000	0.000	25.027	<b>33.489</b>	Financing & investment income and expenditure (Note 5)	0.980	0.000	0.000	0.001	21.598	<b>22.579</b>
(19.248)	(1.873)	0.000	(0.079)	(266.819)	<b>(288.019)</b>	Taxation & non-specific grant income (Note 5)	(18.889)	(1.593)	0.032	(0.404)	(279.126)	<b>(299.980)</b>
67.126	59.696	73.812	22.849	(208.534)	14.949	<b>(Surplus) or deficit on provision of services</b>	61.395	63.322	80.827	27.052	(217.358)	15.238
					2.827	(Surplus) or deficit arising on revaluation of non-current assets (Note 37)						4.102
					0.388	Impairment losses or (reversals) on non-current assets charged to the revaluation reserve (Note 37)						0.408
					(1.090)	(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income (Note 37)						9.602
					(40.328)	Remeasurements of the defined benefit liability (Note 37)						(7.926)
					(38.203)	<b>Other comprehensive income and expenditure</b>						6.186
					(23.254)	<b>Total comprehensive income and expenditure</b>						21.424

## 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 35). These are different from the statutory amounts required to be charged to the general fund balance for council tax setting purposes.

	General fund balance £m	Earmarked general fund balances £m	Total general fund balances £m	Capital grants unapplied account £m	Capital receipts reserve £m	Total usable reserves £m	Total unusable reserves £m	Total reserves of the authority £m
Balance at 31/03/2018 carried forward	(15.226)	(150.152)	(165.378)	(19.980)	(8.766)	(194.124)	370.223	176.099
Adjustment for reclassification of investment properties	(0.275)	0.000	(0.275)	0.000	0.000	(0.275)	0.275	0.000
Balance at 31/03/2018 carried forward	(15.501)	(150.152)	(165.653)	(19.980)	(8.766)	(194.399)	370.498	176.099
Total comprehensive income and expenditure	14.949	0.000	14.949	0.000	0.000	14.949	(38.203)	(23.254)
Adjustments between accounting basis & funding basis under regulations (Note 7)	(15.629)	0.000	(15.629)	(22.416)	0.077	(37.968)	37.968	0.000
Transfers to/from earmarked reserves	0.512	(0.512)	0.000	0.000	0.000	0.000	0.000	0.000
(Surplus) / deficit in year	(0.168)	(0.512)	(0.680)	(22.416)	0.077	(23.019)	(0.235)	(23.254)
Balance at 31/03/2019 carried forward	(15.669)	(150.664)	(166.333)	(42.396)	(8.689)	(217.418)	370.263	152.845
Total comprehensive income and expenditure	15.238	0.000	15.238	0.000	0.000	15.238	6.186	21.424
Adjustments between accounting basis & funding basis under regulations (Note 7)	(19.838)	0.000	(19.838)	(10.500)	1.303	(29.035)	29.035	0.000
Transfers to/from earmarked reserves	5.859	(5.859)	0.000	0.000	0.000	0.000	0.000	0.000
(Surplus) / deficit in year	1.259	(5.859)	(4.600)	(10.500)	1.303	(13.797)	35.221	21.424
Balance at 31/03/2020 carried forward	(14.410)	(156.523)	(170.933)	(52.896)	(7.386)	(231.215)	405.484	174.269

## Balance sheet

The balance sheet shows the value of the assets and liabilities recognised by the council as at 31 March 2020. 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.

2018/2019 £m		Note	2019/2020 £m
483.156	Property, plant and equipment	19	464.187
33.961	Heritage assets	21&22	33.961
7.292	Investment property	23	6.312
6.910	Intangible assets	24	8.517
59.228	Long term investments	29	57.058
5.180	Long term debtors	29	4.615
<b>595.727</b>	<b>Long term assets</b>		<b>574.650</b>
121.162	Short term investments	29	124.927
0.110	Assets held for sale	25	2.380
0.336	Inventories		0.286
51.133	Short term debtors	31	61.175
28.501	Cash and cash equivalents	32	49.777
<b>201.242</b>	<b>Current assets</b>		<b>238.545</b>
(21.123)	Short term borrowing	29	(6.968)
(87.412)	Short term creditors	33	(70.976)
(0.047)	Revenue grants received in advance	34	(13.183)
(2.855)	Capital grants received in advance	34	(0.627)
(8.619)	Provisions	35	(8.039)
<b>(120.056)</b>	<b>Current liabilities</b>		<b>(99.793)</b>
(1.149)	Provisions	35	(0.891)
(290.678)	Long term borrowing	29	(308.773)
(537.931)	Other long term liabilities	29	(578.007)
<b>(829.758)</b>	<b>Long term liabilities</b>		<b>(887.671)</b>
<b>(152.845)</b>	<b>Net assets</b>		<b>(174.269)</b>
(217.418)	Usable reserves	36	(231.215)
370.263	Unusable reserves	37	405.484
<b>152.845</b>	<b>Total reserves</b>		<b>174.269</b>

The unaudited accounts were issued on 04 June 2020 and the audited accounts were authorised for issue on 23 November 2020.

Signed:

*Deborah Hindson*

*Interim Executive Director, Resources and Transformation*

Date: 23 November 2020

## 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.

2018/2019 £m		2019/2020	
		£m	£m
14.949	Net (surplus) or deficit on the provision of services	15.238	
(122.616)	Adjustments to net surplus or deficit on the provision of services for non-cash (Note 38)	(111.826)	
47.424	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 38)	64.993	
<b>(60.243)</b>	<b>Net cash (inflows)/outflows from operating activities</b>		<b>(31.595)</b>
	<b>Interest and dividends</b>		
14.744	Interest paid	11.977	
(2.149)	Interest received	(2.244)	
(2.196)	Dividends	(2.253)	
<b>10.399</b>			<b>7.480</b>
	<b>Investing activities</b>		
49.283	Purchase of property, plant and equipment, investment property and intangible assets	34.688	
195.500	Purchase of short-term and long-term investments	209.500	
(1.901)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1.478)	
(173.500)	Proceeds from short-term and long-term investments	(174.000)	
(49.940)	Other receipts from investing activities	(61.672)	
<b>19.442</b>			<b>7.038</b>
	<b>Financing activities</b>		
(66.507)	Cash receipts of short - and long-term borrowing	(26.041)	
(0.167)	Other payments from financing activities	0.109	
83.585	Repayments of short- and long-term borrowing	21.733	
<b>16.911</b>			<b>(4.199)</b>
<b>(13.491)</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>(21.276)</b>
(15.010)	Cash and cash equivalents (Note 32)		
	- at the beginning of the reporting period		(28.501)
(28.501)	- at the end of the reporting period		(49.777)
<b>(13.491)</b>	<b>Movement in cash (increase)/decrease</b>		<b>(21.276)</b>

## Notes to the accounts

### 1. Significant accounting policies

#### General principles

The statement of accounts summarises the council's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. The council is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) supported by International Financial Reporting Standards (IFRS).

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

#### Accruals of expenditure and income

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

- Revenue from contracts for services or provision of goods are recognised when the council provides them to the customer.
- Supplies and services are recorded as expenditure when the goods are consumed or services received.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected

There is a de-minimis level in place for all accruals of income and expenditure. This level is reviewed annually and is currently set at £10,000. Accruals are not required to be made for individual transactions under this value, with the exception of the following:

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

#### Cash and cash equivalents

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



## **Prior period adjustments, changes in accounting policies and estimation errors**

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

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

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

## **Council Tax and Non-domestic Rates**

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

## **Employee benefits**

### ***Termination benefits***

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

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

### ***Post employment benefits***

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

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

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

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

Local government pension scheme

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

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

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

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

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

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

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated to the services for which the employees worked
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years
  - Net interest on the net defined benefit liability, i.e. net interest expense for the council – the change during the period in the net defined benefit liability that arises from the passage of time. Calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Re-measurements comprising:
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability
  - Remeasurement gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions
- Contributions paid to the West Midlands Metropolitan Authorities Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

***Discretionary benefits***

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

**Fair value measurement**

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

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

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

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

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

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the council can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

**Financial instruments*****Financial assets***

Financial assets are classified into three types:

- Amortised cost
- Fair Value through Profit or Loss (FVPL)
- Fair Value through Other Comprehensive Income (FVOCI)

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

Financial assets measured at amortised cost

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

Expected credit loss model

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

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

Financial assets measured at FVPL

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

Fair values are based on the following techniques:

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

Financial assets measured at FVOCI

With the adoption of IFRS 9 – Financial Instruments the standard requires that investments in equity be classified as fair value through profit and loss unless there is an irrevocable election to designate the asset as fair value through other comprehensive income. The investment in Birmingham Airport Holdings (BAH) is an equity instrument and as such, the default position is that any gains and losses on changes in fair value would be recognised through profit and loss.

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

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

Fair values are based on the following techniques:

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

### **Financial liabilities**

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

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the CIES in the year of repurchase/settlement. Where premiums and discounts have been charged to the surplus or deficit on provision of services as a result of The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2007 (SI 2007/573), these regulations allow the impact on the general fund balance to be spread over future years. The council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was paid. For discounts receivable, statute limits this to a maximum of 10 years

### **Government/non-government grants and contributions**

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

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

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

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

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

### **Joint operations**

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

### **Interests in companies and other entities**

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

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

## Investment properties

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

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

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

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

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

## Leases

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

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

### *The council as lessee*

#### Operating leases

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

#### Finance leases

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

Lease payments are apportioned between:

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

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

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

### ***The council as lessor***

#### Operating leases

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

#### Finance leases

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

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

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

The amounts payable to the PFI operators each year are analysed into five elements. Three of these elements are material to the councils accounts:

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

The other two elements are contingent rents and lifecycle replacement costs which for the council's PFI contracts are not material.

### **Property, plant and equipment**

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



### **Recognition**

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

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

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

### **Measurement and depreciation**

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

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

	<b>Valuation basis</b>	<b>Asset life</b>	<b>Depreciation method</b>
Operational land and buildings - general	Existing use value	10-80 years	Straight line (including car park land)
Operational land and buildings - specialised	Depreciated replacement cost	10-100 years	Straight line
Plant, vehicles and equipment	Current value*	3-10 years	Straight line
Infrastructure Assets	Depreciated historic cost	15-30 years	Straight line
Community assets	Historic cost	No determinable asset life	Not depreciated
Surplus assets	Fair value - market value	10-80 years	Straight line
Assets under construction	Historic cost	n/a	Not depreciated

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

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

### **Disposals**

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



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

### **Impairment of non-current assets**

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

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

### **Non-current assets held for sale**

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

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

### **Intangible assets**

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

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

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

### **Heritage assets**

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

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

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

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

### ***Art collections***

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

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

### ***Museum collections***

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

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

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

### ***Local history archive***

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

### ***Civic regalia***

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

### ***Other heritage assets***

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

## Heritage assets – General

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

## Provisions

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

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

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

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

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

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

## Reserves

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

## Revenue expenditure funded from capital under statute

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

## Value Added Tax (VAT)

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

## Accounting for schools

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

### *Recognition of School Assets*

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

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

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

### *PFI Schemes*

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

## 2. Critical judgments in applying accounting policies

In applying the accounting policies set out in note , 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:

- The council acts as the accountable body for elements of Black Country LEP. Where the council does not act as a lead body it accounts for any transactions on an agent basis. However where the council is also acting on as the lead body as well then these transactions are recorded on a principal and agent basis. Therefore the council only accounts for those transactions where there is a direct cost or income to the council.

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

The statement of accounts contains estimated figures that are based on assumptions made by the council about the future, or are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the council's balance sheet at 31 March 2020 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
Pensions Liability – note 14	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the pension fund and fund member organisations with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For details on sensitivity for pension schemes please refer to page 69.

#### Material uncertainty on valuations/other estimations used due to Covid-19

The outbreak of Covid-19 which was declared a global pandemic on 11 March 2020 has impacted many sectors, including local government. Although the impact on financial markets was immediately noticeable, the impact on other areas has at the balance sheet date not become readily apparent. The accounts have been prepared on a going concern basis using best information available.

All valuations, both financial and property, have been prepared with the best available information available at the dates of valuation. However there is material uncertainty attached to valuations within this year's accounts due to the ongoing nature of the Covid-19 pandemic as explained below.

For property valuations (operational land and buildings, surplus assets, assets held for sale and investment properties) the Royal Institute for Chartered Surveyors (RICS) has issued "Valuation Practice Alert - Covid-19" which is providing guidance to its members on conducting valuations during this pandemic. All our property valuations have been issued under this alert. As a result the following was included within our valuations regarding the material uncertainty of the valuation carried out this year

*The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a 'Global Pandemic' on the 11th March 2020, has impacted many aspects of daily life and the global economy – with some real estate markets experiencing significantly lower levels of transactional activity and liquidity. As at the valuation date there is a shortage of market evidence for comparison purposes, to inform opinions of value. Our valuation is therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently,*

*less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. For the avoidance of doubt, the inclusion of the ‘material valuation uncertainty’ declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation. Given the unknown future impact that COVID-19 might have on the real estate market and the difficulty in differentiating between short term impacts and long-term structural changes, we recommend that you keep the valuations contained within this report under frequent review.*

A sensitivity analysis has been carried out on all property values to determine potential impacts if there were variations in asset values based on a global 1% or 5% change in values with a summary shown in table below.

	Assets value as at 31 March 2020 £m	Change in valuation	
		1% £m	5% £m
Operational land and buildings - non DRC valuation	34.587	0.346	1.729
Operational land and buildings - DRC valuation	307.358	3.074	15.368
Surplus assets	10.912	0.109	0.546
Investment Properties	6.312	0.063	0.316
Assets held for sale	2.380	0.024	0.119
<b>Grand Total</b>	<b>361.549</b>	<b>3.616</b>	<b>18.078</b>

Of our total operational land and buildings approximately 90% by value are valued on a DRC basis on an annual basis. These are calculated using the Building Cost Information Service (BCIS) index which are based on construction costs for a modern equivalent asset which are produced quarterly. As these indices are based on build costs these values are not expected to be significantly by Covid-19.

The council has the following financial instruments that are recorded at fair value on its balance sheet: CCLA Property Fund unit trust holding and Birmingham Airport shareholding. Their fair values have been produced based on market conditions as at 31 March 2020.

The CCLA Property Fund publishes publically its unit prices. These are spot prices on the date of publication. As such they will have had some impact of impact of Covid-19 within its pricing. However as the pricing is dependent upon property markets the uncertainty attached to property valuations (as per the RICS notice mentioned earlier) also impacts these spot prices. As such the following notice was provided to investors by CCLA outlining the issue of material uncertainty.

*Given the current unprecedented impact the policy of containment is currently having on movement, economic activity and property markets (occupational and investment), the scale of the uncertainty surrounding property pricing and valuations means such estimates should be viewed as less reliable than normal, so should carry an uncertainty warning just like valuations currently do. The combination of this uncertainty, together with the inconsistency in approach and application evident across the property industry, means we should also expect property index and benchmark data, when it is next available, to provide a much less reliable indication of performance at this time. Such will only even out over time as greater evidence emerges from more efficient markets*



The shares in Birmingham Airport are not traded. As a result the local authority shareholders commissioned a full valuation due to the Covid-19 pandemic rather than a desktop valuation refresh which was originally planned. This valuation was carried out by BDO. This valuation noted there was significant volatility and uncertainty with the comparators at the valuation date. It noted however that the share prices of these comparators have had Covid-19 priced into their values but forecast revenues were only just being updated for the impact. This uncertainty is continuing due to Covid-19 at its ongoing impact on air travel for the foreseeable future.

All other financial instrument values are not being impacted by Covid-19 as they are carried at amortised cost and so are not subject to valuation judgements.

The council have made allowances for expected credit losses which are based past levels of default along with a projection forward based on past performance. These were produced using best information at the time. Given the current economic pressures surrounding Covid-19 there is a risk that the provisions may not be sufficient. The council has reviewed its current allowances in light of Covid-19 to see if there was any need to increase these allowances. Given there is currently insufficient additional data with which to make a reasonable estimate of any potential impact, the council has currently not made any change to these allowances. However these allowances are being reviewed on a regular basis to determine any ongoing impact in the new year.

As a result of the impact of Covid-19 on the global financial markets, the valuation of the Pension Fund's investment properties are reported on the basis of material valuation uncertainty. Walsall Council's share of these assets is £58m.

## 4. Related parties

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

### Central Government

Central Government has effective control over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the CIES on page 35. Grant receipts for 2019/20 are shown in note 17.

### Local Government

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

### Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in note 9. During 2019/20, £0.205 million of works and services were commissioned from companies in which members had declared an interest.

In addition, the council paid grants totalling £0.723 million to voluntary organisations and associations including some where members had positions on the governing body. The grants were made with proper consideration of declarations of interest. The register of members' interest is open to public inspection at the Civic Centre during office hours or can be viewed on the council's website.

### **Officers**

Council officers are required to declare any interest under section 117 of the Local Government Act 1972. There were no significant transactions between the council and **any companies/organisations that the council's Executive Directors and Heads of Service have interests in.**

### **Other public bodies (subject to common control by Central Government)**

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

### **Entities controlled or significantly influenced by the council**

#### ***West Midlands Growth Company Ltd***

Walsall Council are part owners of West Midlands Growth Company Ltd (WMGCL) along with the WMCA and the other six West Midlands Councils. The WMGC was formed in April 2017 as a new economic development and investment body at the request of the West Midlands Combined Authority to support delivery of Strategic Economic Plan targets, such as more jobs for the region, and facilitate the growth of the region's economy. There were no transactions between the WMGCL and Walsall Council in 2019/20.

#### ***West Midlands Rail Ltd***

Walsall Council are part owners of West Midlands Rail Ltd (WMRL) along with WMCA, the other six West Midlands Councils, Northamptonshire County Council, Herefordshire Council, Shropshire Council, Staffordshire County Council, Borough of Telford and Wrekin, Warwickshire County Council and Worcestershire County Council. As the seven West Midlands Councils (including Walsall) are not Local Transport Authorities they are associate full members with their voting rights held by the WMCA as the Local Transport Authority for the West Midlands Conurbation. West Midlands Rail was created with the purpose of specifying and managing rail franchising for the West Midlands. There were no transactions between the WMRL and Walsall Council in 2019/20.



## 5. Note to the CIES

The following table provides further information for other operating expenditure, financing and investment income & expenditure and taxation and other non-specific income shown in the CIES on page 35.

2018/2019 £m		2019/2020 £m
	<b>Other operating expenditure</b>	
11.241	Levies	11.219
0.001	Payments to the capital housing receipts pool	0.000
(0.278)	(Gains) and losses on the disposal of fixed assets	19.183
<b>10.964</b>	<b>Total</b>	<b>30.402</b>
	<b>Financing and investment income and expenditure</b>	
15.309	Interest payable and similar charges	11.609
13.498	Net interest on the net defined benefit liability (Note 14)	13.289
(2.308)	Interest income	(2.572)
8.462	Income, expenditure and changes in fair value of investment properties	0.873
0.724	(Gain)/loss on financial instruments	1.633
(2.196)	Other investment income (Note 29)	(2.253)
<b>33.489</b>	<b>Total</b>	<b>22.579</b>
	<b>Taxation and non-specific grant income</b>	
(116.653)	Council tax income	(124.482)
(97.258)	Non domestic rate distribution	(90.802)
(39.234)	All capital grants and contributions (Note 17)	(40.342)
(34.874)	Un-ringfenced government grants (Note 17)	(44.354)
<b>(288.019)</b>	<b>Total</b>	<b>(299.980)</b>

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

The council has experienced an increase of approximately £19 million of losses on the disposal of fixed assets in 2019/20 when compared to 2018/19 due to three schools converting to academy status in 2019/20. Further details can be found in note 20 page 78.

Further information on council tax and NDR can be found on page 109.

## 6. Expenditure and funding analysis

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

2018/2019						2019/2020				
As reported to Cabinet June 2019 £m	Adjustment to arrive at the net amount funded from General Fund £m	Net expenditure funded from general fund £m	Adjustments between Funding and Accounting basis £m	Net expenditure as per CIES (accounting basis) £m		As reported to Cabinet June 2020 £m	Adjustment to arrive at the net amount funded from General Fund £m	Net expenditure funded from general fund £m	Adjustments between Funding and Accounting basis £m	Net expenditure as per CIES (accounting basis) £m
61.980	(3.570)	58.410	19.502	77.912	Economy and Environment	59.514	(1.641)	57.873	21.431	79.304
63.810	(2.692)	61.118	0.451	61.569	Adult Social Care	63.501	(0.558)	62.943	1.972	64.915
71.680	(8.843)	62.837	10.975	73.812	Childrens Services	75.565	(10.328)	65.237	15.558	80.795
20.890	(3.837)	17.053	5.875	22.928	Resources and Transformation	19.813	3.416	23.229	4.226	27.455
(103.810)	140.111	36.301	(14.007)	22.294	Central	(97.311)	132.161	34.850	(25.082)	9.768
114.550	121.169	235.719	22.796	258.515		121.082	123.050	244.132	18.105	262.237
(114.986)	(121.688)	(236.674)	(6.892)	(243.566)	Other income and expenditure	(121.373)	(127.359)	(248.732)	1.733	(246.999)
(0.436)	(0.519)	(0.955)	15.904	14.949	<b>Total cost of providing council services</b>	(0.291)	(4.309)	(4.600)	19.838	15.238
		(165.378)			<b>Opening total general fund balances</b>			(166.333)		
		(166.333)			<b>Closing total general fund balances</b>			(170.933)		

## Note to expenditure and funding analysis

This note details the adjustments made to move the comprehensive income and expenditure statement from the statutory accounting basis to that used to for setting council tax.

2018/2019								2019/2020						
Use of earmarked reserves £m	Items reported at cabinet level but sit below the net cost of services (i) £m	Adjustment to arrive at the net amount funded from General Fund £m	Adjustments for capital purposes (ii) £m	Net change for the Pensions adjustments (iii) £m	Other Adjustments (iv) £m	Adjustments between Funding and Accounting basis £m		Use of earmarked reserves £m	Items reported at cabinet level but sit below the net cost of services (i) £m	Adjustment to arrive at the net amount funded from General Fund £m	Adjustments for capital purposes (ii) £m	Net change for the Pensions adjustments (iii) £m	Other Adjustments (iv) £m	Adjustments between Funding and Accounting basis £m
1.405	(4.975)	(3.570)	18.842	0.660	0.000	19.502	Economy and Environment	2.044	(3.685)	(1.641)	20.456	0.975	0.000	21.431
(4.071)	1.379	(2.692)	0.156	0.295	0.000	0.451	Adult Social Care	(0.217)	(0.341)	(0.558)	1.549	0.423	0.000	1.972
4.951	(13.794)	(8.843)	9.119	2.604	(0.748)	10.975	Children and Young People	5.632	(15.960)	(10.328)	10.573	3.757	1.228	15.558
2.806	(6.643)	(3.837)	5.216	0.659	0.000	5.875	Resources & Transformation	7.299	(3.883)	3.416	3.212	1.014	0.000	4.226
(5.603)	145.714	140.111	(11.895)	(2.112)	0.000	(14.007)	Central	(11.025)	143.186	132.161	(12.778)	(12.304)	0.000	(25.082)
(0.512)	121.681	121.169	21.438	2.106	(0.748)	22.796		3.733	119.317	123.050	23.012	(6.135)	1.228	18.105
0.000	(121.688)	(121.688)	(30.760)	23.700	0.168	(6.892)	Other income and expenditure	0.000	(127.359)	(127.359)	(21.160)	23.491	(0.598)	1.733
(0.512)	(0.007)	(0.519)	(9.322)	25.806	(0.580)	15.904	Total cost of providing council services	3.733	(8.042)	(4.309)	1.852	17.356	0.630	19.838

***i) Items reported at cabinet level but sit below the net cost of services***

This column adjusts the figures reported to cabinet for a number of items that are reported in the comprehensive income and expenditure statements as part of other income and expenditure. These include interest payable, investment income and some non ring-fenced grants.

***ii) Adjustments for capital purposes***

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. minimum revenue provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

***iii) Net change for the pensions adjustments***

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

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

***iv) Other adjustments***

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

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

## 7. Note to movement in reserves statement

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

2018/2019				2019/2020		
Movement in general fund balance £m	Movement in other usable reserves £m	Movement in unusable reserves £m		Movement in general fund balance £m	Movement in other usable reserves £m	Movement in unusable reserves £m
			<b>Adjustments to revenue resources</b>			
(25.807)	0.000	25.807	Pensions costs	(17.356)	0.000	17.356
(0.724)	0.000	0.724	Financial instruments (transferred to the financial instruments adjustments account)	(1.633)	0.000	1.633
0.559	0.000	(0.559)	Council tax and NDR statutory adjustments	2.231	0.000	(2.231)
0.748	0.000	(0.748)	Accumulated holiday pay	(1.228)	0.000	1.228
(45.044)	0.000	45.044	Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure	(58.126)	0.000	58.126
<b>(70.268)</b>	<b>0.000</b>	<b>70.268</b>		<b>(76.112)</b>	<b>0.000</b>	<b>76.112</b>
			<b>Adjustments between revenue and capital resources</b>			
1.899	(1.899)	0.000	Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	1.478	(1.478)	0.000
(0.001)	0.001	0.000	Payments to the government housing receipts pool	0.000	0.000	0.000
11.258	0.000	(11.258)	Statutory provision for the repayment of debt	12.862	0.000	(12.862)
2.249	0.000	(2.249)	Capital expenditure financed from revenue balances	1.592	0.000	(1.592)
<b>15.405</b>	<b>(1.898)</b>	<b>(13.507)</b>		<b>15.932</b>	<b>(1.478)</b>	<b>(14.454)</b>
			<b>Adjustments to capital resources</b>			
0.000	1.977	(1.977)	Use of the capital receipts reserve to finance capital expenditure	0.000	2.781	(2.781)
39.234	(22.416)	(16.818)	Application of capital grants to finance capital expenditure	40.342	(10.500)	(29.842)
0.000	(0.002)	0.002	Cash payments in relation to deferred capital receipts	0.000	0.000	0.000
<b>39.234</b>	<b>(20.441)</b>	<b>(18.793)</b>	<b>Total adjustments to capital resources</b>	<b>40.342</b>	<b>(7.719)</b>	<b>(32.623)</b>
<b>(15.629)</b>	<b>(22.339)</b>	<b>37.968</b>	<b>Total adjustments</b>	<b>(19.838)</b>	<b>(9.197)</b>	<b>29.035</b>

## 8. Better care fund

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

2018/2019			Better Care Fund 2018/19	2019/2020		
Capital £m	Revenue £m	Total £m		Capital £m	Revenue £m	Total £m
(0.260)	(1.905)	(2.165)	Funding brought forward from previous year	0.171	(2.835)	(2.664)
			<b>Funding provided to the pooled budget</b>			
(3.832)	0.000	(3.832)	By Walsall Council	(3.704)	(13.764)	(17.468)
0.000	(31.811)	(31.811)	By Walsall NHS CCG	0.000	(21.704)	(21.704)
<b>(3.832)</b>	<b>(31.811)</b>	<b>(35.643)</b>		<b>(3.704)</b>	<b>(35.468)</b>	<b>(39.172)</b>
			<b>Expenditure met from the pooled budget</b>			
4.263	17.396	21.659	By Walsall Council	4.031	23.703	27.734
0.000	13.365	13.365	By Walsall NHS CCG	0.000	13.317	13.317
<b>4.263</b>	<b>30.761</b>	<b>35.024</b>		<b>4.031</b>	<b>37.020</b>	<b>41.051</b>
<b>0.171</b>	<b>(2.955)</b>	<b>(2.784)</b>	<b>Net (surplus) / deficit on the pooled budget during the year</b>	<b>0.498</b>	<b>(1.283)</b>	<b>(0.785)</b>
<b>(0.171)</b>	<b>2.835</b>	<b>2.664</b>	<b>Carry forwards into next year</b>	<b>(0.498)</b>	<b>1.144</b>	<b>0.646</b>
<b>0.000</b>	<b>(0.120)</b>	<b>(0.120)</b>	<b>Net (surplus) / deficit on the pooled budget during the year (after carry forwards)</b>	<b>0.000</b>	<b>(0.139)</b>	<b>(0.139)</b>
			<b>Agreed risk share on the pooled budget during the year</b>			
		0.200	By Walsall Council			0.095
		(0.320)	By Walsall NHS CCG			(0.234)
		<b>(0.120)</b>				<b>(0.139)</b>

Although the table above includes elements for Walsall CCG the council does not commission work on behalf of the CCG. The same applies for the CCG. There is no agent and principal arrangement. Instead the council only records expenditure and income where it is the lead body undertaking the work.

## 9. Members allowances

The council paid £0.733 million of basic allowances (2018/19 £0.717 million) and £0.217 million of special responsibility payments (2018/19 £0.204 million) to members during the year. Additional expenses of £0.001 million were also paid in 2019/20 (2018/19 £0.002 million).

## 10. Officers' remuneration

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

		Salary, fees and allowances £	Expenses allowances £	Compensation for loss of office £	Pension contribution £	Total £
Chief Executive (Dr Helen Paterson)	2019/2020	182,070	31,526	0	0	<b>213,596</b>
	2018/2019	182,333	9,838	0	0	<b>192,171</b>
Executive Director - Resources & Transformation/Section 151 Officer	2019/2020	139,067	0	116,670	0	<b>255,737</b>
	2018/2019	135,492	9	0	0	<b>135,501</b>
Executive Director - Children's Services	2019/2020	140,541	0	0	25,719	<b>166,260</b>
	2018/2019	137,785	0	0	23,286	<b>161,071</b>
Executive Director - Social Care	2019/2020	134,152	0	0	24,550	<b>158,702</b>
	2018/2019	131,522	(86)	0	22,227	<b>153,663</b>
Executive Director - Economy & Environment	2019/2020	134,152	35	0	24,550	<b>158,737</b>
	2018/2019	131,522	(14)	0	22,227	<b>153,735</b>
Head of Legal and Democratic Services - Monitoring Officer	2019/2020	98,901	11	0	18,099	<b>117,011</b>
	2018/2019	96,358	13	0	16,285	<b>112,656</b>
Director of Public Health 1	2019/2020	11,917	0	0	1,298	<b>13,215</b>
	2018/2019	106,466	0	0	15,288	<b>121,754</b>
Director of Public Health 2	2019/2020	80,799	0	0	11,899	<b>92,699</b>
	2018/2019	0	0	0	0	<b>0</b>
Acting Section 151 officer	2019/2020	15,448	0	0	2,519	<b>17,967</b>
	2018/2019	0	0	0	0	<b>0</b>

### Director of Public Health

Please note there is only one post of Director of Public Health, however due to changes this post was occupied by two individuals during the 2019/20 financial year. Director of Public Health 1 covered the period 01/04/2019 to 26/04/2019 whilst Director of Public Health 2 covered the period 19/08/2019 to 31/03/2020



### Section 151 officer

There is only one post of Section 151 officer. Due to changes this post was occupied by two individuals during the 2019/20 financial year. Executive Director – Resources and Transformation covered the period 01/04/2019 to 31/01/2020 whilst the acting Section 151 officer covered the period 01/02/2020 to 31/03/2020.

### Employees over £50,000

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

Remuneration band	Council officers		Teachers - community / VC schools		Teachers - foundation / VA schools		Total	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£50,000 - £54,999	26	28	37	52	6	9	69	89
£55,000 - £59,999	6	7	34	34	13	7	53	48
£60,000 - £64,999	21	11	20	23	9	10	50	44
£65,000 - £69,999	5	17	15	17	4	7	24	41
£70,000 - £74,999	10	11	10	15	1	2	21	28
£75,000 - £79,999	10	9	8	7	2	2	20	18
£80,000 - £84,999	1	1	3	9	2	2	6	12
£85,000 - £89,999	1	0	1	0	2	0	4	0
£90,000 - £94,999	5	9	1	1	0	2	6	12
£95,000 - £99,999	1	1	0	1	0	0	1	2
£105,000 - £109,999	0	0	1	0	1	0	2	0
£110,000 - £114,999	0	0	0	1	0	1	0	2
<b>Total</b>	<b>86</b>	<b>94</b>	<b>130</b>	<b>160</b>	<b>40</b>	<b>42</b>	<b>256</b>	<b>296</b>

## 11. Exit packages

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £m	2019/20 £m
£								
0 - 20,000	62	35	126	111	188	146	1.010	0.531
20,001 - 40,000	10	1	11	5	21	6	0.581	0.151
40,001 - 60,000	1	1	13	3	14	4	0.653	0.209
60,001 - 80,000	1	0	4	1	5	1	0.323	0.076
80,001 - 100,000	1	1	3	0	4	1	0.355	0.092
100,001 - 150,000	1	0	4	1	5	1	0.621	0.116
150,000 - 200,000	1	0	1	1	2	1	0.371	0.151
<b>Total</b>	<b>77</b>	<b>38</b>	<b>162</b>	<b>122</b>	<b>239</b>	<b>160</b>	<b>3.914</b>	<b>1.326</b>



## 12. Termination benefits

The council terminated the contracts of a number of employees in 2019/20, incurring liabilities of £0.841 million (£3.438 million in 2018/19), which is included within the costs shown in the exit packages table above. Included within these amounts are payments for various school based staff and council employees.

## 13. Pension scheme accounted for as defined contribution

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

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

In 2019/20, the council paid £10.987 million to the Teachers' Pension Scheme in respect of teachers' retirement benefits. This represented 16.48% of pensionable pay between April 2019 and August 2019, and 23.68% between September 2019 and March 2020. The figures for 2018/19 were £8.414 million and 16.48%. There were no contributions remaining payable at the year-end.

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

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

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

In 2019/20, the council paid £0.075 million to NHS Pensions in respect of Public Health staff retirement benefits, representing 14.38% of pensionable pay. The figures for 2018/19 were £0.096 million and 14.38%.

## 14. Defined benefit pension schemes

### Participation within pension schemes

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

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

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

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

## Transactions relating to post-employment benefits

The council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the general fund via the movement in reserves statement. The following transactions have been made in the CIES and the general fund balance via the movement in reserves statement during the year.

2018/2019			2019/2020	
Local Government Pension Scheme £m	Unfunded teachers £m		Local Government Pension Scheme £m	Unfunded teachers £m
		<b><u>Comprehensive income and expenditure statement</u></b>		
		<i>Cost of service:</i>		
35.719	0.000	Current service cost	39.245	0.000
11.467	0.000	Past service costs	1.697	0.000
(0.029)	0.000	(Gain)/loss from settlements	(0.676)	0.000
		<i>Financing and investment income and expenditure:</i>		
13.170	0.328	Net interest expense (inc. Admin expenses)	13.014	0.275
<b>60.327</b>	<b>0.328</b>	<b>Total post employment benefit charged to the surplus or deficit on the provision of services</b>	<b>53.280</b>	<b>0.275</b>
		<i>Other post employment benefit charged to the comprehensive income and expenditure statement</i>		
(10.487)	0.000	Return on plan assets (excluding the amount included in the net interest expense)	59.223	0.000
(79.874)	(0.758)	Remeasurement (gains)/losses arising on changes in demographic assumptions	43.240	0.972
50.408	0.383	Remeasurement (gains)/losses arising on changes in financial assumptions	(144.589)	(0.662)
0.000	0.000	Experience (gain)/loss on defined benefit obligation	48.336	0.000
0.000	0.000	Other actuarial (gains)/losses on assets	(14.446)	0.000
<b>20.374</b>	<b>(0.047)</b>	<b>Total post employment benefit charged to the comprehensive income and expenditure statement</b>	<b>45.044</b>	<b>0.585</b>
		<b><u>Movement in reserves statement</u></b>		
(26.710)	0.903	Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the Code	(18.104)	0.748
		<b><i>Actual amount charged against the general fund balance for pensions in the year:</i></b>		
33.617	1.231	Employers' contributions payable to scheme	35.176	
		Retirement benefits payable to pensioners		1.023

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

### Assets and liabilities in relation to post-employment benefits

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

2018/2019 £m		2019/2020 £m
(1,455.306)	Present value of defined benefit obligation	(1,440.232)
923.797	Fair value of plan assets	867.793
<b>(531.509)</b>	<b>Net pension liability arising from defined benefit obligation</b>	<b>(572.439)</b>

### Reconciliation of fair value of the scheme assets

Local Government Pension Scheme 2018/2019 £m		Local Government Pension Scheme 2019/2020 £m
924.150	Opening balance at 1 April	923.797
23.140	Interest on assets	21.805
10.487	Return on assets less interest	(59.223)
0.000	Other actuarial gains/(losses)	14.446
(0.408)	Administration expenses	(0.591)
(0.054)	Settlement prices received / (paid)	1.492
3.417	Employer contributions	3.676
6.422	Member contributions	6.650
(43.357)	Estimated benefits paid net of transfers in	(44.259)
<b>923.797</b>	<b>Closing balance at 31 March</b>	<b>867.793</b>

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

2018/2019			2019/2020	
Local Government Pension Scheme £m	Unfunded teachers £m		Local Government Pension Scheme £m	Unfunded teachers £m
(1,425.699)	(14.281)	Opening balance at 1 April	(1,442.303)	(13.003)
(35.719)	0.000	Current service cost	(39.245)	0.000
(35.902)	(0.328)	Interest cost	(34.228)	(0.275)
(6.422)	0.000	Member contributions	(6.650)	0.000
		<b>Remeasurements (liabilities)</b>		
(50.408)	(0.383)	Gain/(Loss) on financial assumptions	144.589	0.662
79.874	0.758	Gain/(Loss) on demographic assumptions	(43.240)	(0.972)
0.000	0.000	Experience gain/(Loss)	(48.336)	0.000
43.357	1.231	Estimated benefits paid net of transfers in	44.259	1.023
(11.467)	0.000	Past service costs including Curtailments	(1.697)	0.000
0.083	0.000	(Liabilities assumed) / extinguished on settlements	(0.816)	0.000
<b>(1,442.303)</b>	<b>(13.003)</b>	<b>Closing balance at 31 March</b>	<b>(1,427.667)</b>	<b>(12.565)</b>

### Basis for estimating assets and liabilities

The assessment has been on an actuarial basis using the projected unit method, an estimate of the pensions that will have to be paid in the future including mortality rates and salary levels.

Both the local government pension scheme and discretionary benefit liabilities have been estimated by Barnett Waddingham LLP, an independent actuary firm with estimates being based on the latest full valuation of the scheme as at 31 March 2019. The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Unfunded teachers	
	2018/2019	2019/2020	2018/2019	2019/2020
<b>Mortality assumptions:</b>				
<u>Longevity retiring today</u>				
- Men	20.9	21.9	20.9	21.9
- Women	23.2	24.1	23.2	24.1
<u>Longevity retiring in 20 years</u>				
- Men	22.60	23.80	n/a	n/a
- Women	25.00	26.00	n/a	n/a
Rate of inflation (CPI)	2.40%	1.90%	2.50%	1.95%
Rate of increase in salaries	3.90%	2.90%	n/a	
Rate of increase in pensions	2.40%	1.90%	2.50%	1.95%
Rate for discounting scheme liabilities	2.40%	2.35%	2.20%	2.25%

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

<b>Sensitivity analysis - Local Government Pension Scheme</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	1,399.724	1,427.668	1,456.198
Projected service cost	36.547	37.501	38.481
<b>Adjustment to Long term salary increase</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	1,429.960	1,427.668	1,425.394
Projected service cost	37.519	37.501	37.483
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	1,454.005	1,427.668	1,401.848
Projected service cost	38.466	37.501	36.560
<b>Adjustment to life expectancy assumptions</b>	<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>
Present value of total obligation	1,491.233	1,427.668	1,367.026
Projected service cost	38.725	37.501	36.316

<b>Sensitivity analysis - Unfunded teachers</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	12.458	12.565	12.673
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	12.673	12.565	12.458
<b>Adjustment to life expectancy assumptions</b>	<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>
Present value of total obligation	13.166	12.565	11.991

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:

	2018/2019		2019/2020	
	£m	%	£m	%
Equities	546.014	59.0%	493.987	56.9%
Government bonds	88.748	9.6%	100.866	11.6%
Other bonds	35.595	3.9%	36.264	4.2%
Property	78.463	8.5%	77.186	8.9%
Cash/liquidity	29.256	3.2%	31.144	3.6%
Other	145.721	15.8%	128.346	14.8%
<b>Total</b>	<b>923.797</b>	<b>100.0%</b>	<b>867.793</b>	<b>100.0%</b>

### Impact on the council'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 17 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2022 to be reported from 2022/23.

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

The council expects in 2020/21 to pay contributions to the scheme for 2020/21 totalling £30.2 million and £59.7 million in advance contributions for the years 2021/22 and 2022/23. The council will subsequently release these advance contributions in the relevant years.

The weighted average duration of the defined benefit obligation for scheme members is 20 years, 2019/20 (18 years 2018/19).

## 15. External audit costs

The council incurred costs of £0.132 million (£0.119 million 2018/19) for fees related to external audit services and £0.013 million (£0.013 million 2018/19) for fees incurred for the certification of grant claims and returns. These services were carried out by Grant Thornton UK LLP the council's appointed auditor.

## 16. Dedicated schools grant

The council's expenditure on schools is funded by the dedicated schools grant (DSG), provided by the Department for Education. DSG is ring-fenced and can only be applied to meet eligible expenditure included in the schools budget. The schools budget includes elements for a restricted range of services provided on a council wide basis and the individual schools budget (ISB), which is divided into budget shares for each school. Over and under spends on the two elements are required to be accounted for separately. The council has not supplemented the schools budget from its own resources this year. Details of DSG receivable for 2019/20 which has been deployed in accordance with the School Standards and Framework Act 1998 are shown in the following table.

2018/2019			Dedicated schools grant (DSG)	2019/2020		
Central Expenditure £m	ISB £m	Total £m		Central Expenditure £m	ISB £m	Total £m
(12.895)	(245.003)	(257.898)	Final DSG for year before academy recoupment	(10.634)	(255.223)	(265.857)
0.000	105.866	105.866	Academy figure recouped	0.000	108.976	108.976
<b>(12.895)</b>	<b>(139.137)</b>	<b>(152.032)</b>	<b>Total DSG after academy recoupment</b>	<b>(10.634)</b>	<b>(146.247)</b>	<b>(156.881)</b>
(12.531)	1.835	(10.696)	Plus brought forward from previous year	(17.977)	11.874	(6.104)
<b>(25.426)</b>	<b>(137.302)</b>	<b>(162.728)</b>	<b>Agreed initial budgeted distribution in year</b>	<b>(28.612)</b>	<b>(134.373)</b>	<b>(162.985)</b>
0.000	0.000	0.000	In year adjustments	0.000	0.155	0.155
<b>(25.426)</b>	<b>(137.302)</b>	<b>(162.728)</b>	<b>Agreed final budgeted distribution in year</b>	<b>(28.612)</b>	<b>(134.218)</b>	<b>(162.830)</b>
7.448	0.000	7.448	Less actual central expenditure	6.711	0.000	6.711
0.000	149.176	149.176	Less actual ISB deployed to schools	0.000	154.050	154.050
<b>(17.978)</b>	<b>11.874</b>	<b>(6.105)</b>	<b>Carry forward to next year</b>	<b>(21.901)</b>	<b>19.832</b>	<b>(2.069)</b>



## 17. Grant income

The council credited the following grants, contributions and donations to the CIES in 2019/20:

2018/2019 £m	Revenue grants	2019/2020		
		Government grants £m	Other grants £m	Total £m
	<b>Credited to taxation and non specific grant income</b>			
(1.039)	Troubled families grant	(0.785)	0.000	(0.785)
(1.595)	Street lighting PFI grant	(1.595)	0.000	(1.595)
(3.637)	New homes bonus	(2.912)	0.000	(2.912)
0.000	Covid-19 funding	(9.609)	0.000	(9.609)
(6.381)	Small business rates relief	(6.991)	0.000	(6.991)
(2.607)	New burdens funding	(4.467)	0.000	(4.467)
(0.834)	Independent living fund	(0.808)	0.000	(0.808)
(17.653)	Public health grant	(17.187)	0.000	(17.187)
(26.961)	NDR top up	(17.953)	0.000	(17.953)
<b>(60.707)</b>	<b>Total</b>	<b>(62.307)</b>	<b>0.000</b>	<b>(62.307)</b>
	<b>Credited to services</b>			
(1.355)	Arts Council funding	(1.372)	0.000	(1.372)
(1.182)	Housing benefits administration subsidy grant	(1.044)	0.000	(1.044)
(96.430)	Housing benefits rent allowances grant	(78.989)	0.000	(78.989)
(0.747)	Housing benefit non housing revenue account (HRA) rebates	(1.989)	0.000	(1.989)
(1.070)	Discretionary housing payments	(0.841)	0.000	(0.841)
(0.500)	Local council tax scheme admin grant	(0.476)	0.000	(0.476)
(152.032)	Dedicated schools grant	(156.726)	0.000	(156.726)
(2.767)	Sixth form funding grant	(2.519)	0.000	(2.519)
(0.559)	Teachers pay grant	(1.268)	0.000	(1.268)
0.000	Teachers pensions grant	(2.505)	0.000	(2.505)
(2.761)	Universal infant free schools meals	(2.492)	0.000	(2.492)
(0.719)	Free school meals supplementary grant	(0.419)	0.000	(0.419)
(0.363)	Unaccompanied asylum seeking children grant	(0.649)	0.000	(0.649)
(0.366)	Rough sleeper initiative grant	(0.539)	0.000	(0.539)
(0.384)	Youth justice service	0.000	(0.383)	(0.383)
(11.335)	Pupil premium	(11.490)	0.000	(11.490)
(0.773)	St Thomas More PFI grant	(0.773)	0.000	(0.773)
(21.774)	Better care fund	(21.644)	0.000	(21.644)
(10.037)	Improved better care fund	(12.332)	0.000	(12.332)
(8.719)	Section75 CCG agreement	(9.818)	0.000	(9.818)
(1.432)	Winter funding grant	(1.432)	0.000	(1.432)
(0.608)	Controlling migration grant	(0.688)	0.000	(0.688)
(0.708)	Black Country impact	0.000	(0.579)	(0.579)
(0.918)	Integrated communities programme	(1.352)	0.000	(1.352)
(0.451)	VIEW grant	0.000	(0.144)	(0.144)
(0.895)	Adult social care support grant	(2.446)	0.000	(2.446)
(0.500)	LEP funding	0.000	(0.505)	(0.505)
(0.042)	Electoral services grants	(0.381)	0.000	(0.381)
(0.125)	PCC crime and community grants	(0.359)	0.000	(0.359)
(1.342)	Education funding agency PE & sports grants	(1.344)	0.000	(1.344)
0.000	Family drug and alcohol court grant	(1.095)	0.000	(1.095)
(2.618)	Other	(2.695)	(1.088)	(3.783)
<b>(323.512)</b>	<b>Total</b>	<b>(319.677)</b>	<b>(2.699)</b>	<b>(322.376)</b>
<b>(384.219)</b>	<b>Total Revenue Grants</b>	<b>(381.984)</b>	<b>(2.699)</b>	<b>(384.683)</b>

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Un-ringfenced government grants of £44.354 million (note 0) does not include NDR Top Up included within the £62.307 million total. NDR Top Up is included in NDR Distribution (note 0).

In accordance with its grant conditions Walsall Council has fully utilised Arts Council grants received by it in 2019/20.

2018/2019 £m	Capital grants	2019/2020 £m
	<b>Credited to taxation and non specific grant income</b>	
(1.455)	Devolved formula capital	(0.512)
(22.882)	Department for Education	(15.236)
0.140	Housing specific	(0.363)
0.000	M6 Junction 10 grants	(10.809)
(5.014)	Other transport grants	(3.715)
(0.262)	s106 contributions	(0.798)
(1.689)	National productivity investment fund	(2.600)
(7.784)	Growth deal	(5.439)
(0.288)	Other	(0.870)
<b>(39.234)</b>	<b>Total</b>	<b>(40.342)</b>
	<b>Credited to services</b>	
(0.960)	Department for Education	(0.672)
(11.744)	Growth deal	(19.211)
(4.004)	Disabled facility grants	(3.112)
0.019	Other	(0.221)
<b>(16.689)</b>	<b>Total</b>	<b>(23.216)</b>
<b>(55.923)</b>	<b>Total capital grants</b>	<b>(63.558)</b>

## 18. Events after the balance sheet date

The statement of accounts were authorised for issue by the Chief Financial Officer on 04 June 2020. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

In accordance with IAS 10 – Events After the Reporting Period there is **nothing to be disclosed as adjusting events.**

**In accordance with IAS 10 – Events After the Reporting Period there is one non-adjusting event.**

**Together, the 7 West Midland Authorities own 49% of Birmingham Airport Holdings Limited (“BAHL”), and vote in one block at meetings. Walsall Council holds 4.88% of BAHL’s ordinary shares with a reported fair value of £13.509 million as at 31 March 2020.**

**Subsequent to the balance sheet date, the Covid-19 pandemic and continued related Government restrictions on travel have had a significant impact on BAHL’s trading. BAHL have proactively reduced cashflows, and therefore still retains a strong liquidity position.**

**Going forward, BAHL forecasts to retain a satisfactory cash balance, but will not comply with the June 2021 covenants relating to the financing arrangements, unless passenger volumes and revenues recover quickly. The impact of the Coronavirus pandemic on BHL’s ability to meet its**

covenant tests and to take corrective measures should it not be able to do so is a material uncertainty for BHL that may cast significant doubt on its ability to continue as a going concern.

BAHL shareholders, including the 7 West Midland Authorities collectively, have stated their intention to engage in further discussion should tangible support be required. Such corrective action could have a significant impact on the valuation of the Authority's investment in BAHL.

## 19. Property, plant and equipment

### Movement on balances

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

	Operational land and buildings £m	Vehicles, plant and equipment £m	Infrastructure assets £m	Community assets £m	Surplus assets £m	Total £m
<b>Net book value 31 March 2018</b>	<b>372.873</b>	<b>6.584</b>	<b>92.255</b>	<b>3.863</b>	<b>8.060</b>	<b>483.635</b>
Additions	13.387	4.405	13.770	0.378	0.525	<b>32.465</b>
Revaluations	(14.137)	0.000	0.000	0.000	(0.013)	<b>(14.150)</b>
Disposals/derecognition of assets	0.000	(0.328)	0.000	0.000	0.000	<b>(0.328)</b>
Reclassification of assets	0.000	0.000	0.000	0.000	1.934	<b>1.934</b>
Depreciation	(7.510)	(3.033)	(7.144)	0.000	(0.037)	<b>(17.724)</b>
Impairments	(1.257)	0.000	(1.020)	(0.375)	(0.024)	<b>(2.676)</b>
Other movements	(0.086)	0.000	0.000	0.024	0.062	<b>0.000</b>
<b>Net book value 31 March 2019</b>	<b>363.270</b>	<b>7.628</b>	<b>97.861</b>	<b>3.890</b>	<b>10.507</b>	<b>483.156</b>
Additions	12.938	2.611	18.001	0.131	0.118	<b>33.799</b>
Revaluations	(9.467)	0.000	0.000	0.000	0.156	<b>(9.311)</b>
Disposals/derecognition of assets	(19.529)	(1.133)	0.000	0.000	0.000	<b>(20.662)</b>
Reclassification of assets	(0.120)	0.000	0.000	0.000	(2.150)	<b>(2.270)</b>
Depreciation	(7.856)	(2.987)	(6.616)	0.000	(0.067)	<b>(17.526)</b>
Impairments	(1.709)	0.000	(1.103)	(0.125)	(0.062)	<b>(2.999)</b>
Other movements	(2.255)	0.000	0.000	0.000	2.255	<b>0.000</b>
<b>Net book value 31 March 2020</b>	<b>335.272</b>	<b>6.119</b>	<b>108.143</b>	<b>3.896</b>	<b>10.757</b>	<b>464.187</b>
<b>Balance as at 31 March 2019</b>						
Cost/Valuation	371.081	38.558	222.284	5.744	10.719	<b>648.386</b>
Cumulative Depreciation and Impairments	(7.811)	(30.930)	(124.423)	(1.854)	(0.212)	<b>(165.230)</b>
<b>Carrying amount</b>	<b>363.270</b>	<b>7.628</b>	<b>97.861</b>	<b>3.890</b>	<b>10.507</b>	<b>483.156</b>
<b>Balance as at 31 March 2020</b>						
Cost/Valuation	341.945	38.942	240.285	5.875	10.912	<b>637.959</b>
Cumulative Depreciation and Impairments	(6.673)	(32.823)	(132.142)	(1.979)	(0.155)	<b>(173.772)</b>
<b>Carrying amount</b>	<b>335.272</b>	<b>6.119</b>	<b>108.143</b>	<b>3.896</b>	<b>10.757</b>	<b>464.187</b>
Owned	335.272	4.545	100.729	3.896	10.757	<b>455.199</b>
PFI	0.000	0.000	7.414	0.000	0.000	<b>7.414</b>
Finance Lease	0.000	1.574	0.000	0.000	0.000	<b>1.574</b>
<b>Carrying amount</b>	<b>335.272</b>	<b>6.119</b>	<b>108.143</b>	<b>3.896</b>	<b>10.757</b>	<b>464.187</b>

## Capital commitments

At 31 March 2020, the council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2019/20 and future years which are budgeted to cost £59.117 million. Similar commitments at 31 March 2019 were £12.653 million. The major commitments are shown in the following table:

Projects	Council funded £m	Externally funded £m	Total £m
Highways maintenance and improvements	0.415	0.827	<b>1.242</b>
Growth deal	0.000	26.752	<b>26.752</b>
Other	0.200	0.000	<b>0.200</b>
Investment in ICT	0.822	0.000	<b>0.822</b>
Department of health capital allocation	0.000	0.810	<b>0.810</b>
M6 Junction 10 Improvements	0.000	23.619	<b>23.619</b>
Regeneration schemes	0.109	0.390	<b>0.499</b>
Investment in housing standards and improvements	0.028	0.540	<b>0.568</b>
Investment in cemeteries	0.526	0.000	<b>0.526</b>
Procurement of finance, HR and payroll system	3.106	0.000	<b>3.106</b>
Work on council house	0.973	0.000	<b>0.973</b>
	<b>6.179</b>	<b>52.938</b>	<b>59.117</b>

## Revaluations

The council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. For 2019/20 all valuations were carried out by the council's Asset Management team except for the Primark and Co-op developments, and land off Darlaston Road. The effective date of the revaluations carried out in 2019/20 was 1 January 2020. These valuations were prepared by Nick Ford BSc (Hons) MRICS (RICS Registered Valuer), assisted by Sarah Robson Bsc (Hons) MRICS – Senior Asset Management Officer, John Kirwan RICS Candidate – Asset Officer and Maria Morapedi – Asset Management Surveyor.

The valuations for the Primark and Coop developments were carried out externally by Avison Young. The valuation was prepared by Mark Shelley MRICS (RICS Registered Valuer).

The valuation for land off Darlaston Road were carried out externally by Cushman and Wakefield. The valuation was prepared by Jonathon K Crawford BA(Hons) MRICS (RICS Registered Valuer).

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.

Surplus assets were valued on a market basis using values obtained by observing comparatives in the local area. Level 3 valuations were then further adjusted by known yield returns for the asset being valued.

The significant assumptions applied in estimating the fair values are:

- Land and Buildings, Equipment have been valued on an existing use value basis except where the assets are specialised
- Surplus assets have been valued on a fair value basis

- Specialised assets have been valued on the depreciated replacement cost method using modern equivalent asset basis
- The values used for the depreciated replacement cost calculation were from the Building Cost Information Service (BCIS) Quarterly Review of Building Prices – 4th quarter 2019.
- Assets under construction have been valued on a cost basis
- Infrastructure and community assets have been valued on a depreciated historic cost basis.

	Operational land and buildings £m	Vehicles, plant and equipment £m	Infrastructure assets £m	Community assets £m	Surplus assets £m	Grand Total £m
Valued at historical cost	0.852	6.119	108.143	3.896	0.050	119.060
<b>Valued at current value as at:</b>						
2019/2020	303.325	0.000	0.000	0.000	3.103	306.428
2018/2019	8.521	0.000	0.000	0.000	3.041	11.562
2017/2018	1.179	0.000	0.000	0.000	0.118	1.297
2016/2017	12.358	0.000	0.000	0.000	0.000	12.358
2015/2016	9.037	0.000	0.000	0.000	4.445	13.482
<b>Grand Total</b>	<b>335.272</b>	<b>6.119</b>	<b>108.143</b>	<b>3.896</b>	<b>10.757</b>	<b>464.187</b>

Surplus assets have been assessed as level 1, level 2 or level 3 for valuation purposes. An explanation of valuation levels can be found in the accounting policies on page 43. There has been no change in valuation methodology compared to last year.

2018/2019					2019/2020			
Level 1 £m	Level 2 £m	Level 3 £m	Total £m		Level 1 £m	Level 2 £m	Level 3 £m	Total £m
0.524	4.522	5.461	10.507	Surplus assets	0.023	4.537	6.197	10.757
0.524	4.522	5.461	10.507	Total	0.023	4.537	6.197	10.757

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

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

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

## 20. Accounting for local government schools

Dedicated schools grant (DSG) is credited to the CIES within taxation and non-specific income based on amounts due from the Department for Education for 2019/20. The DSG is allocated between central council budget and budgets allocated to individual schools (delegated school budgets). Expenditure from central council budgets and delegated schools budgets is charged to the CIES under education and children's services.

Individual schools' balances at 31 March 2020 are included in the balance sheet of the council under the earmarked reserves heading.

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

	Community	Voluntary controlled	Voluntary aided	Foundation
Number of schools (including PFI)	61	8	14	1
Value of land and buildings at 31 March 2020	£135.246m	£18.849m	£0m	£2.525m
Number of schools subject to PFI contracts	0	0	1	0

### PFI schemes

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

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

### Academy conversions

During 2019/20 there were three schools converted to academy status. £19.529 million of school assets have been derecognised from the council's balance sheet, comprising:

- Busill Jones Primary School (Net Book Value of assets on de-recognition £2.404m)
- Pheasey Park Farm Primary School (Net Book Value of assets on de-recognition £4.033m)
- Brownhills School (Net Book Value of assets on de-recognition £13.092m)

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

### Accounting for schools – consolidation

- In line with accounting standards and the Code on group accounts and consolidation, all maintained schools in the borough are now considered to be entities controlled by the council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the council's single entity accounts.

### Accounting for schools – balance sheet recognition of schools

- The council recognises the land and buildings used by schools in line with the provisions of the Code. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The council recognises the schools land and buildings on its balance sheet where it directly owns the assets.

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

### ***Future conversions***

There are three conversions expected during 2020/21 where upon conversion all assets will transfer from the council to the academy.

- St Bernadette's Catholic (VA) Primary School (Current net book value £0 million).
- New Leaf Centre (Part of the Education Development Centre current net book value £7.954 million but site value is yet to be determined).
- Jane Lane Special School (Current net book value £4.878 million).

## **21. Heritage assets**

### **Carrying value of heritage assets held by the council**

The council currently holds £33.961 million (2018/19 £33.961 million) of heritage assets on its balance sheet. These assets include art collections (£31.781 million 2019/20, £31.781 million 2018/19), museum collections (£1.950 million 2019/20, £1.950 million 2018/19), civic regalia (£0.223 million 2019/20, £0.223 million 2018/19).

### **Valuations**

#### ***Art collections***

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



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

### ***Museum collections***

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

### ***Civic regalia***

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

### **Additions of heritage assets**

There were no additions of art works during both 2018/19 and 2019/20.

### **Disposal of heritage assets**

There were no disposals of heritage assets during both 2018/19 and 2019/20.

### **Five year summary of transactions**

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

## **22. Further information on heritage assets**

### **Heritage assets held on balance sheet**

#### ***Art collections***

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

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

#### ***Museum collections***

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

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



### **Civic regalia**

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

### **Heritage assets not held on balance sheet**

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

## **23. Investment properties**

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

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

### **Income and expenditure on investment properties**

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

2018/2019 £m		2019/2020 £m
(3.016)	Rental income from investment properties	(1.589)
2.864	Direct operating expenses from investment properties generating rental income in period	1.482
<b>(0.152)</b>	<b>Net (surplus)/deficit</b>	<b>(0.107)</b>

### **Movement on balances**

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

	Total £m
<b>Balance as at 31 March 2018</b>	<b>15.871</b>
Additions & other capital expenditure	0.092
Disposals	(0.057)
Net gains/(losses) from fair value adjustments	(8.614)
<b>Balance as at 31 March 2019</b>	<b>7.292</b>
Additions & other capital expenditure	0.000
Disposals	0.000
Net gains/(losses) from fair value adjustments	(0.980)
<b>Balance as at 31 March 2020</b>	<b>6.312</b>

The investment properties have all had their annual valuation as at 1 January 2020. The outcome of these valuations reflect current market conditions, such as the ongoing pressure on the retail sector, and has resulted in a reduction in the overall balance.

### Fair value hierarchy

The council's investment properties have been value assessed as level 2 on the fair value hierarchy for valuation purposes (see Note 1 page 43 for an explanation of the fair value levels).

2018/2019			2019/2020	
Level 2 £m	Total £m		Level 2 £m	Total £m
5.375	5.375	Shops	4.408	4.408
1.917	1.917	Leased land	1.904	1.904
<b>7.292</b>	<b>7.292</b>	<b>Total</b>	<b>6.312</b>	<b>6.312</b>

### Valuation techniques used to determine fair values

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

### Highest and best use

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

### Valuation process for investment properties

The council's investment property has been valued as at 1 January 2020 except where purchased in year where the purchase price is taken as the fair value. Valuations for investment properties were carried out by the council's Asset Management team as outlined in Note 19 page 76 except for the Saddlers Centre.

The Saddlers Centre valuation was carried out by Avison Young. This valuation was prepared by Mark Shelley MRICS (RICS Registered Valuer).

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

## 24. Intangible assets

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

2018/2019 £m		2019/2020 £m
2.280	Balance at start of year	6.910
6.244	Additions - purchase	3.304
(1.614)	Amortisation for the year	(1.697)
<b>4.630</b>	<b>Total movements in the year</b>	<b>1.607</b>
<b>6.910</b>	<b>Net carrying amount at end of the year</b>	<b>8.517</b>
11.216	Comprising: - Gross carrying amounts	14.522
(4.306)	- accumulated amortisation	(6.005)
<b>6.910</b>	<b>Net book value at 31 March</b>	<b>8.517</b>

## 25. Assets held for sale

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

2018/2019 £m		2019/2020 £m
3.555	Balance outstanding at start of year	0.110
0.403	<b>Assets newly classified as held for sale:</b> Property, plant and equipment	2.270
(0.277)	Revaluation losses	0.000
(2.338)	<b>Assets de-classified as held for sale:</b> Property, plant and equipment	0.000
(1.233)	<b>Other movements</b> Assets sold	0.000
<b>0.110</b>	<b>Balance outstanding at year-end</b>	<b>2.380</b>

## 26. Capital expenditure and capital financing

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

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

2018/2019 £m		2019/2020 £m
351.592	Opening capital financing requirement	357.673
	<b>Capital investment</b>	
32.465	Property, plant and equipment	33.799
0.093	Investment property	0.000
18.273	Revenue expenditure funded from capital under statute	32.677
6.244	Intangible assets	3.304
<b>57.075</b>		<b>69.780</b>
	<b>Sources of finance</b>	
(1.977)	Capital receipts	(2.781)
(33.507)	Government grants and contributions	(53.057)
	<u>Sums set aside from revenue</u>	
(2.249)	Direct revenue contributions	(1.592)
(11.261)	Minimum revenue provision (MRP)	(12.864)
<b>(48.994)</b>		<b>(70.294)</b>
	<b>Other capital adjustments</b>	
(2.000)	Other capital adjustments within CFR	0.000
<b>(2.000)</b>		<b>0.000</b>
<b>357.673</b>	<b>Closing capital financing requirement</b>	<b>357.159</b>
	<b>Explanation of movements in year</b>	
19.342	Increase in current year underlying need to borrow	12.350
(12.336)	Decrease in prior years underlying need to borrow (MRP)	(12.936)
(0.517)	Reduction in liability on PFI schemes (MRP)	0.500
(0.408)	Reduction in liability on Finance Leases (MRP)	(0.428)
<b>6.081</b>	<b>Increase/(decrease) in capital financing requirement</b>	<b>(0.514)</b>

## 27. Leases

### Council as lessee

#### *Finance leases*

The council has cremator units and a number of vehicles on finance leases. The assets acquired by these leases are carried on the balance sheet as property, plant and equipment with values shown in Note 19 page 75.

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

	Finance lease liabilities		Finance costs payable		Minimum lease payments	
	31 March 2019 £m	31 March 2020 £m	31 March 2019 £m	31 March 2020 £m	31 March 2019 £m	31 March 2020 £m
Not later than one year	0.425	0.458	0.075	0.060	0.500	0.518
Later than one year and not later than five years	1.539	1.169	0.145	0.277	1.684	1.446
	<b>1.964</b>	<b>1.627</b>	<b>0.220</b>	<b>0.337</b>	<b>2.184</b>	<b>1.964</b>

#### *Operating leases*

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

31 March 2019 £m		31 March 2020 £m
0.489	Not later than one year	0.586
1.595	Later than one year and not later than five years	1.988
3.286	Later than five years	3.326
<b>5.370</b>	<b>Total</b>	<b>5.900</b>

The council has sub-let some of the vehicles held under these operating leases. At 31 March 2020 the minimum payments expected to be received under non-cancellable sub-leases was £0.796m.

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

2018/2019 £m		2019/2020 £m
0.704	Minimum lease payments	0.788
0.036	Contingent rents	0.046
(0.046)	Sublease payments received	(0.133)
<b>0.694</b>	<b>Total</b>	<b>0.701</b>

**Council as lessor**

***Operating leases***

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

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

31 March 2019 £m		31 March 2020 £m
1.904	Not later than one year	1.725
5.261	Later than one year and not later than five years	4.599
17.524	Later than five years	16.646
<b>24.689</b>	<b>Total</b>	<b>22.970</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. During 2019/20 the contingent rents received by the council were £0.257 million (£0.259 million in 2018/19).

***Finance leases***

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

**28. Private finance initiatives and similar contracts**

**St Thomas More School**

2019/20 was the sixteenth year of a 25 year private finance initiative (PFI) contract for the construction, maintenance and operation of a secondary school in Willenhall. The main partners within the contract are the Governors of St Thomas More School, Birmingham Roman Catholic Diocese Trustees, Babcock and Brown and Walsall Council. The application of IFRIC 12 to this scheme has resulted in this being classed as an off balance sheet transaction. As such no asset is shown within the council’s balance sheet. This is due to the council having no interest in the school at the end of the contract. Instead all the land and property reverts back to the Birmingham Roman Catholic Diocese Trustees and the Governors of St Thomas More School. In line with all other voluntary aided schools the contract has also been reviewed under IFRIC 4 and it has been determined that the council has an operating lease with the Governors of St Thomas More School and Birmingham Roman Catholic Diocese Trustees.

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

	£m
Payable in 2020/21	2.370
Payable within two to five years	9.963
Payable within six to nine years	8.007
<b>Total</b>	<b>20.340</b>

## Public street lighting

2019/20 was the sixteenth year of a 25 year PFI contract for the replacement and maintenance of the council's lighting stock across the borough. The objective of this contract is to ensure that the borough is lit in a uniform manner complying with British and European standards. The main partners within the contract are Walsall Council and Walsall Public Lighting Ltd.

The council makes an agreed payment which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2020 (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 2020/21	2.810	0.485	0.058	3.353
Payable within two to five years	11.442	2.348	0.162	13.952
Payable within six to nine years	9.559	1.768	0.045	11.372
<b>Total</b>	<b>23.811</b>	<b>4.601</b>	<b>0.265</b>	<b>28.677</b>

The assets used to provide services for street lighting are recognised on the council's balance sheet. Their value is included within the property, plant and equipment balance in note 19 page 75.

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.

Both the asset value and liability outstanding to pay the contractor for capital expenditure initially incurred is as follows:

PFI liability 2018/2019 £m	PPE assets 2018/2019 £m		PFI liability 2019/2020 £m	PPE assets 2019/2020 £m
(5.619)	8.620	Balance outstanding at start of year	(5.102)	8.017
0.517	0.000	Payments during the year	0.501	0.000
0.000	(0.603)	Depreciation in year	0.000	(0.603)
<b>(5.102)</b>	<b>8.017</b>	<b>Balance outstanding at year-end</b>	<b>(4.601)</b>	<b>7.414</b>

## Housing 21

2019/20 was the eleventh year of a 30 year public-private partnership scheme. The principal partners in the contract are Housing 21 and Walsall Council. This contract is to provide:

- 285 extra care units (including 70 shared ownership and 5 respite care) across the borough
- A 40 bed dementia care unit at Goscote

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 2020/21	9.061
Payable within two to five years	38.566
Payable within six to ten years	53.886
Payable within eleven to fifteen years	60.967
Payable within sixteen to nineteen years	40.361
<b>Total</b>	<b>202.841</b>

## 29. Financial instruments

### Categories of financial instruments

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

#### *Financial assets*

	Non-current		Current			Total £m
	Investments £m	Debtors £m	Investments £m	Debtors £m	Cash and Cash Equivalents £m	
<b>2018/2019</b>						
Fair value through profit and loss	19.276	0.000	0.000	0.000	0.000	19.276
Fair value through other comprehensive income	24.642	0.000	0.000	0.000	0.000	24.642
Amortised cost	15.310	5.115	121.162	24.705	28.501	194.793
	<b>59.228</b>	<b>5.115</b>	<b>121.162</b>	<b>24.705</b>	<b>28.501</b>	<b>238.711</b>
Non-financial assets	0.000	0.065	0.000	26.428	0.000	26.493
	<b>59.228</b>	<b>5.180</b>	<b>121.162</b>	<b>51.133</b>	<b>28.501</b>	<b>265.204</b>
<b>2019/2020</b>						
Fair value through profit and loss	27.643	0.000	0.000	0.000	0.000	27.643
Fair value through other comprehensive income	15.040	0.000	0.000	0.000	0.000	15.040
Amortised cost	14.375	4.553	124.927	31.900	49.777	225.532
	<b>57.058</b>	<b>4.553</b>	<b>124.927</b>	<b>31.900</b>	<b>49.777</b>	<b>268.215</b>
Non-financial assets	0.000	0.062	0.000	29.275	0.000	29.337
	<b>57.058</b>	<b>4.615</b>	<b>124.927</b>	<b>61.175</b>	<b>49.777</b>	<b>297.552</b>

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

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

The non-current debtors carried at amortised cost contains approximately £4.5 million Waste Disposal debt from the former West Midlands County Council owed to Walsall Council by the other West Midlands councils which is to be paid by agreement over the next 6 years.

**Financial liabilities**

	Non-current		Current		Total £m
	Borrowings £m	Creditors £m	Borrowings £m	Creditors £m	
<b>2018/2019</b>					
Amortised cost	(290.678)	(6.421)	(21.123)	(78.567)	(396.789)
	<b>(290.678)</b>	<b>(6.421)</b>	<b>(21.123)</b>	<b>(78.567)</b>	<b>(396.789)</b>
Non-financial liabilities	0.000	(531.510)	0.000	(8.845)	(540.355)
	<b>(290.678)</b>	<b>(537.931)</b>	<b>(21.123)</b>	<b>(87.412)</b>	<b>(937.144)</b>
<b>2019/2020</b>					
Amortised cost	(308.773)	(5.568)	(6.968)	(63.320)	(384.629)
	<b>(308.773)</b>	<b>(5.568)</b>	<b>(6.968)</b>	<b>(63.320)</b>	<b>(384.629)</b>
Non-financial liabilities	0.000	(572.439)	0.000	(7.656)	(580.095)
	<b>(308.773)</b>	<b>(578.007)</b>	<b>(6.968)</b>	<b>(70.976)</b>	<b>(964.724)</b>

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

The non-current borrowing carried at amortised cost contains approximately £14.8 million of remaining transferred debt as a result of the dissolution of the former West Midlands County Council which is to be paid by agreement over the next 6 years.

### Income, expense, gains and losses

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

2018/2019			2019/2020	
Surplus/deficit on the provision of Services £m	Other comprehensive income and expenditure £m		Surplus/deficit on the provision of Services £m	Other comprehensive income and expenditure £m
		<b>Net gains/losses on:</b>		
(0.295)	0.000	Financial assets measured at fair value through profit and loss	1.633	0.000
0.000	(0.071)	Investments in equity instruments designated at fair value through other comprehensive income	0.000	9.602
<b>(0.295)</b>	<b>(0.071)</b>	<b>Total net gains/losses</b>	<b>1.633</b>	<b>9.602</b>
		<b>Interest and dividend income</b>		
(2.308)	0.000	Financial assets measured at amortised cost	(2.572)	0.000
(1.361)	0.000	Dividends from investment in equity instruments designated at fair value through other comprehensive income	(1.383)	0.000
(0.835)	0.000	Dividends from investment in equity instruments designated at fair value through profit and loss	(0.870)	0.000
<b>(4.504)</b>	<b>0.000</b>	<b>Total interest income</b>	<b>(4.825)</b>	<b>0.000</b>
<b>15.309</b>	<b>0.000</b>	<b>Total interest expense</b>	<b>11.609</b>	<b>0.000</b>

### Fair value of investments in equity instruments

	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 Mar 2019 £m fair value	31 Mar 2020 £m fair value
<b>Fair value through profit and loss</b>				
CCLA Property Fund	Level 1	Unadjusted quoted prices	19.276	27.643
<b>Fair value through other comprehensive income</b>				
Birmingham Airport	Level 3	Earnings based valuation	24.642	15.040

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

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

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

Financial liabilities and assets represented by loans and receivables, debtors and creditors are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments (Level 2), using the following assumptions:

- For PWLB loans payable **new borrowing rates** from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For non-PWLB loans payable prevailing market rates have been applied to provide the fair value under debt redemption procedures;
- **For Lenders option/borrower option loans payable prevailing market rates have been applied to provide fair values under debt redemption policies. These loans are all standard LOBOs with no stepped interest rates. The fair values have been calculated assuming that these loans are held to maturity and that the lender will not alter the interest rate in the future given current rates are significantly lower than the rates for these loans.**
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
  - No early repayment or impairment is recognised;
  - Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values of financial liabilities calculated are as follows:

31/03/2019			Input level in fair value	31/03/2020	
Carrying amount £m	Fair value £m			Carrying amount £m	Fair value £m
(177.781)	(230.501)	PWLB loans	2	(197.704)	(240.106)
(16.541)	(18.968)	Other local authority transferred debt	2	(14.798)	(16.452)
(0.002)	(0.002)	Individuals	2	0.000	0.000
(96.353)	(156.654)	Lenders option/borrowers option/market debt	2	(96.271)	(150.623)
(20.163)	(20.130)	Other local authority loans	2	(6.000)	(6.004)
(0.961)	(0.961)	Other loans	2	(0.968)	(0.968)
(78.567)	(78.567)	Short term creditors	2	(63.320)	(63.320)
(6.421)	(6.421)	Long term creditors	2	(5.568)	(5.568)
<b>(396.789)</b>	<b>(512.204)</b>	<b>Financial liabilities</b>		<b>(384.629)</b>	<b>(483.041)</b>

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 2020) arising from a commitment to pay interest to lenders above current market rates.

The fair values of financial assets calculated are as follows:

31/03/2019			Input level in fair value hierarchy	31/03/2020	
Carrying amount	Fair value			Carrying amount	Fair value
£m	£m			£m	£m
15.310	15.214	Long term investments	Level 2	14.375	14.353
121.162	121.166	Short term investments	Level 2	124.927	124.915
24.705	24.705	Short term debtors	Level 2	31.900	31.900
5.115	5.115	Long term debtors	Level 2	4.553	4.553
28.501	28.501	Cash and cash equivalents	Level 2	49.777	49.777
<b>194.793</b>	<b>194.701</b>	<b>Financial assets</b>		<b>225.532</b>	<b>225.498</b>

The fair value of the assets is lower than the carrying amount because the council’s portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) attributable to the commitment to receive interest above current market rates.

### **30. Nature and extent of risks arising from financial instruments**

#### **Overall procedures for managing risk**

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a treasury policy statement and treasury management clauses within its financial regulations/standing orders/constitution
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The council’s overall borrowing
  - Its maximum and minimum exposures to fixed and variable rates
  - Its maximum and minimum exposures to the maturity structure of its debt
  - Its maximum annual exposures to investments maturing beyond a year
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the government guidance

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 28 February 2019 and is available on the council website. The key issues within the strategy were:

- The authorised limit for the 2019/20 was set at £458.391m. This is the maximum limit of external borrowings or other long term liabilities
- The operational boundary was set at £416.719m. This is the expected level of debt and other long term liabilities during the year
- The maximum amounts of fixed and variable interest rate exposure were set at 95% and 45% based on the council's long term borrowing

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

### **Credit risk**

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

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

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

The council's investment priorities are:

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

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

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

- Credit ratings rating agencies – SAP, Fitch and Moodys.
- Treasury management advisors provide regular updates of changes to all ratings relevant to the council

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

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

The council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence as at the 31 March 2020 that this was likely to crystallise.

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

	Amount as at 31/03/2020	Historical experience of default as at 31/03/2020
	£m	£m
Banks	76.485	0.013
Building societies	37.000	0.009
Challenger banks	31.000	0.021
Money market funds	15.000	0.000
Housing associations	16.000	0.013
Local authorities	9.000	0.002
Trade debtors	27.063	0.000
<b>Total</b>	<b>211.548</b>	<b>0.058</b>

### Amounts arising from expected credit losses

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

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

### **Liquidity risk**

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



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

The maturity analysis of financial assets is as follows:

	2018/2019 £m	2019/2020 £m
Less than one year	174.921	207.212
Between one and two years	15.918	14.962
Between two and five years	2.133	2.438
More than five years	45.739	43.603
<b>Total</b>	<b>238.711</b>	<b>268.215</b>

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

The maturity analysis of financial liabilities is as follows:

	2018/2019 £m	2019/2020 £m
Less than 1 year	(120.230)	(87.317)
Between 1 and 2 years	(19.194)	(23.181)
Between 2 and 5 years	(93.456)	(96.371)
Between 5 and 10 years	(17.251)	(11.102)
More than 10 years	(146.658)	(166.658)
<b>Total</b>	<b>(396.789)</b>	<b>(384.629)</b>

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

## Market risk

### **Interest rate risk**

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

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

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

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

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

	£m
Increase in interest payable on variable rate borrowings	0.038
Increase in interest receivable on variable rate investments	(0.020)
<b>Impact on (surplus) or deficit on the provision of services</b>	<b>0.018</b>
Decrease in fair value of fixed rate investment assets	(0.034)
<b>(Increase) / decrease on other comprehensive income and expenditure</b>	<b>(0.034)</b>
<b>(Increase)/decrease in fair value of fixed rate borrowings liabilities (no impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure)</b>	<b>(1.373)</b>

The approximate impact of a 0.25% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in note 29, page 88.

### **Price risk**

The council has shareholdings to the value of £15.040 million in Birmingham Airport (£13.509 million ordinary shares and £1.531 million preference shares).

The shares are all classified fair value through other comprehensive income meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve. A general shift of 5% in the general price of shares (positive or negative) would result in a £0.675 million gain or loss being recognised.

### **Foreign exchange risk**

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

### 31. Debtors

The following table shows the amounts owed to the council (excluding council tax and NDR and an allowance for expected credit losses), for which payments have not been received by 31 March 2020.

2018/2019 £m		2019/2020 £m
19.806	Trade debtors	27.063
9.200	Other debtors	7.515
2.105	Prepayments and accrued income	3.162
<b>31.111</b>	<b>Total</b>	<b>37.740</b>

Within other debtors £0.409 million (£0.532 million in 2018/19) is included for property charges within social care. The council recognises that although these are correctly classified as debtors due within one year, events beyond the control of the council make it probable that a proportion of these will be settled beyond that timeframe.

The following table shows the amount owed to the council for local taxation but not impaired, for which payments have not been received by 31 March 2020 analysed by age.

2018/19				2019/20		
Council tax £m	NDR £m	Total £m		Council tax £m	NDR £m	Total £m
6.601	1.794	8.395	Less than one year	7.514	1.661	9.175
3.051	0.865	3.916	1-2 years	3.718	0.660	4.378
4.311	1.117	5.428	2-6 years	6.015	0.918	6.933
1.913	0.370	2.283	More than 6 years	2.664	0.285	2.949
<b>15.876</b>	<b>4.146</b>	<b>20.022</b>	<b>Total</b>	<b>19.911</b>	<b>3.524</b>	<b>23.435</b>

The council has made expected credit loss allowances for debtors. For all debtors excluding those for local taxations this has been calculated using historical patterns adjusted for known future events where possible. For local taxation the non-contractual method has been adopted.

### 32. Cash and cash equivalents

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

2018/2019 £m		2019/2020 £m
0.036	Cash held by the council	0.030
4.105	Bank current accounts	3.262
24.360	Short term deposits	46.485
<b>28.501</b>	<b>Total</b>	<b>49.777</b>

The movement in short term deposits represents a planned increase in balances in support of an upfront payment to the pension fund due to be paid in April 2020.

### 33. Creditors

This table shows the amounts owed by the council for which payments have not been paid by 31 March 2020, but which should be paid within one year.

2018/2019 £m		2019/2020 £m
(71.492)	Trade creditors	(48.475)
(6.149)	Other creditors	(13.902)
(3.421)	Receipts in advance	(1.872)
(3.688)	Tax and national insurance	(2.366)
(1.359)	Council tax	(2.967)
(0.377)	NDR	(0.451)
(0.501)	PFI liability	(0.485)
(0.425)	Lease liability	(0.458)
<b>(87.412)</b>	<b>Total</b>	<b>(70.976)</b>

### 34. Grants received in advance

This table shows the grants the council received during 2019/20 that are to be used in 2020/21 or later but have not yet been recognised within the council's CIES.

2018/2019 £m		2019/2020 £m
	<b>Revenue grants in advance</b>	
0.000	Business rates relief	(11.437)
0.000	Strengthening families	(1.606)
(0.047)	Other	(0.140)
<b>(0.047)</b>	<b>Total</b>	<b>(13.183)</b>
	<b>Capital grants in advance</b>	
(2.855)	Basic needs grant	(0.627)
<b>(2.855)</b>		<b>(0.627)</b>
<b>(2.902)</b>	<b>Total</b>	<b>(13.810)</b>

### 35. 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.

	Insurance fund £m	Pensions and redundancy £m	NDR appeals £m	Other £m	Total £m
Balance at 1 April 2019	(1.149)	(0.985)	(7.498)	(0.136)	<b>(9.768)</b>
Additional provisions made in 2019/20	(0.236)	(0.086)	(3.436)	(0.149)	<b>(3.907)</b>
Amounts used in 2019/20	0.494	0.985	3.266	0.000	<b>4.745</b>
Unused amounts reversed in 2019/20	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>Balance at 31 March 2020</b>	<b>(0.891)</b>	<b>(0.086)</b>	<b>(7.668)</b>	<b>(0.285)</b>	<b>(8.930)</b>

### Insurance fund

The council has an established insurance fund to cover excesses on claims. These outstanding claims amount to £4.067 million and are at various stages of being addressed and it is therefore unclear when settlement might be made. However, based on claim settlement profiles, projected settlements are estimated at £0.891 million (£1.149 million 2018/19) for which a provision is held to cover this.

### Pensions and redundancy costs

The council has created an additional provision of £0.086 million for pension and redundancy costs in relation to restructures undertaken during 2019/20. During 2019/20 £0.985 million was charged against the 2018/19 provision. The £0.086 million will be carried forward to 2020/21 where it is expected that the remaining transfers of economic benefit will occur. The pension figures provided by the West Midlands Metropolitan Authorities Pension Fund and the redundancy costs are based on agreed and expected leaving dates for each officer.

### NDR appeals

Further information on NDR appeals can be found on page 112.

### Other

In addition to the above provisions the council holds £0.285 million (£0.136 million 2018/19) 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.

	Insurance fund £m	Pensions and redundancy £m	NDR appeals £m	Other £m	Total £m
Less than 1 year	0.000	(0.086)	(7.668)	(0.285)	<b>(8.039)</b>
Greater than 1 year	(0.891)	0.000	0.000	0.000	<b>(0.891)</b>
<b>Balance at 31 March 2020</b>	<b>(0.891)</b>	<b>(0.086)</b>	<b>(7.668)</b>	<b>(0.285)</b>	<b>(8.930)</b>

### 36. Usable reserves

Movements in the council's usable reserves can be found in the movement in reserves statement (page 37). The movement in reserve notes shows the details for the council's earmarked reserves.

2018/2019 £m		2019/2020 £m
(15.669)	General fund reserve	(14.410)
(150.664)	Earmarked reserves	(156.523)
(42.396)	Capital grants unapplied account	(52.896)
(8.689)	Capital receipts reserve	(7.386)
<b>(217.418)</b>	<b>Total</b>	<b>(231.215)</b>

#### Capital grants unapplied account

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

2018/2019 £m		2019/2020 £m
(19.980)	Balance brought forward	(42.396)
(32.643)	Current year capital grants unapplied credited from comprehensive income and expenditure statement	(30.037)
10.227	Prior year capital grants applied against capital expenditure	19.537
<b>(42.396)</b>	<b>Total</b>	<b>(52.896)</b>

#### 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.

2018/2019 £m		2019/2020 £m
(8.765)	Balance brought forward	(8.689)
(1.900)	Capital receipts received during the year	(1.478)
(0.002)	Capital receipts released from deferred capital receipts	0.000
1.977	Capital receipts applied against capital expenditure	2.781
0.001	Capital receipts paid to MHCLG for pooling of housing capital receipts	0.000
<b>(8.689)</b>	<b>Total</b>	<b>(7.386)</b>

## 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 2019/20.

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

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

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

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

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

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

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

	Balance as at £m 31/03/2018	Transfers (in)/out £m 2018/2019	Balance as at £m 31/03/2019	Transfers (in)/out £m 2019/2020	Balance as at £m 31/03/2020
<b>Treasury reserves</b>					
Borrowing re-scheduling	(8.150)	3.155	<b>(4.995)</b>	(2.037)	<b>(7.032)</b>
Treasury commutation	(4.330)	3.010	<b>(1.320)</b>	(3.654)	<b>(4.974)</b>
MRP equalisation	(14.469)	0.179	<b>(14.290)</b>	3.995	<b>(10.295)</b>
<b>Grants received in advance</b>					
Crisis support	(1.595)	0.500	<b>(1.095)</b>	0.542	<b>(0.553)</b>
Dedicated schools grant	(10.696)	4.592	<b>(6.104)</b>	4.035	<b>(2.069)</b>
Grant funding in advance under IFRS	(6.331)	0.133	<b>(6.198)</b>	(1.908)	<b>(8.106)</b>
Private finance initiative	(22.325)	(0.436)	<b>(22.761)</b>	0.457	<b>(22.304)</b>
Housing 21	(0.450)	(0.277)	<b>(0.727)</b>	(0.342)	<b>(1.069)</b>
Public health	(2.043)	(0.046)	<b>(2.089)</b>	0.220	<b>(1.869)</b>
Social care grant	0.000	0.000	<b>0.000</b>	(1.159)	<b>(1.159)</b>
Improved better care fund	(1.905)	(0.930)	<b>(2.835)</b>	1.691	<b>(1.144)</b>
Covid-19 funding	0.000	0.000	<b>0.000</b>	(9.860)	<b>(9.860)</b>



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	Balance as at £m 31/03/2018	Transfers (in)/out £m 2018/2019	Balance as at £m 31/03/2019	Transfers (in)/out £m 2019/2020	Balance as at £m 31/03/2020
<b>Demand led</b>					
Children's demand led services	(5.024)	2.448	<b>(2.576)</b>	(0.094)	<b>(2.670)</b>
Transformation	(5.129)	(4.137)	<b>(9.266)</b>	(3.355)	<b>(12.621)</b>
<b>Improvement projects</b>					
Carbon management reduction programme	(1.401)	(0.237)	<b>(1.638)</b>	(0.351)	<b>(1.989)</b>
Economic growth Programme	(2.406)	0.184	<b>(2.222)</b>	(0.091)	<b>(2.313)</b>
Project reserve	(2.997)	0.267	<b>(2.730)</b>	0.599	<b>(2.131)</b>
Strategic capital investment	(3.883)	0.000	<b>(3.883)</b>	0.000	<b>(3.883)</b>
Cloud Services	(1.500)	0.000	<b>(1.500)</b>	0.456	<b>(1.044)</b>
Revenue implications of capital	(0.610)	0.075	<b>(0.535)</b>	(0.279)	<b>(0.814)</b>
<b>Council liabilities</b>					
Business rates retention scheme	(3.984)	(1.031)	<b>(5.015)</b>	2.388	<b>(2.627)</b>
Environmental warranties	(1.000)	0.000	<b>(1.000)</b>	0.000	<b>(1.000)</b>
Insurance fund	(2.063)	(0.070)	<b>(2.133)</b>	0.000	<b>(2.133)</b>
Mediation	(1.810)	(3.379)	<b>(5.189)</b>	(2.270)	<b>(7.459)</b>
Pensions / ABS	(19.660)	(0.096)	<b>(19.756)</b>	0.649	<b>(19.107)</b>
Workforce planning	(2.275)	(1.195)	<b>(3.470)</b>	(3.437)	<b>(6.907)</b>
Combined Authority	(2.895)	0.334	<b>(2.561)</b>	0.441	<b>(2.120)</b>
Feasibility/options appraisals	(0.749)	0.235	<b>(0.514)</b>	(0.218)	<b>(0.732)</b>
<b>Other</b>					
Buy not lease	(0.463)	(0.037)	<b>(0.500)</b>	(0.133)	<b>(0.633)</b>
Contract obligations	(2.312)	0.371	<b>(1.941)</b>	0.877	<b>(1.064)</b>
Audit and inspection	(2.090)	0.372	<b>(1.718)</b>	0.015	<b>(1.703)</b>
Other earmarked reserves	(8.316)	(2.617)	<b>(10.933)</b>	5.793	<b>(5.140)</b>
<b>Earmarked general fund balances</b>	<b>(142.861)</b>	<b>1.367</b>	<b>(141.494)</b>	<b>(7.030)</b>	<b>(148.524)</b>
Nursery schools	(0.006)	0.006	<b>(0.000)</b>	0.000	<b>(0.000)</b>
Primary schools	(5.391)	(2.299)	<b>(7.690)</b>	(0.461)	<b>(8.151)</b>
Secondary schools	(0.201)	0.275	<b>0.074</b>	0.290	<b>0.364</b>
Special schools	(0.398)	0.256	<b>(0.142)</b>	0.839	<b>0.697</b>
Foundation schools	(1.294)	(0.118)	<b>(1.412)</b>	0.503	<b>(0.909)</b>
<b>School balances</b>	<b>(7.290)</b>	<b>(1.880)</b>	<b>(9.170)</b>	<b>1.171</b>	<b>(7.999)</b>
<b>Total</b>	<b>(150.151)</b>	<b>(0.513)</b>	<b>(150.664)</b>	<b>(5.859)</b>	<b>(156.523)</b>

### 37. Unusable reserves

Movements in the council's unusable reserves can be found in the movement in reserves statement (page 37) and note 7 (page 61).

2018/2019 £m		2019/2020 £m
(118.506)	Revaluation reserve	(107.838)
(61.954)	Capital adjustment account	(57.065)
(0.075)	Deferred capital receipts reserve	(0.073)
563.009	Pensions reserve	572.439
(17.937)	Financial instruments revaluation reserve	(8.335)
0.724	Pooled investment funds adjustment account	2.357
(0.270)	Collection fund adjustment account	(2.501)
5.272	Accumulated absences account	6.500
<b>370.263</b>	<b>Total</b>	<b>405.484</b>

#### Capital adjustment account and revaluation reserve

The revaluation reserve contains the gains made by the council arising from increases in the value of its property, plant and equipment. The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and financing the acquisition, construction or enhancement of those assets under statutory provisions. The revaluation reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the capital adjustment account.

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

2018/2019			2019/2020	
Capital adjustment account £m	Revaluation reserve £m		Capital adjustment account £m	Revaluation reserve £m
(73.066)	(123.348)	Balance at 1 April	(61.954)	(118.506)
		<b>Reversal of items relating to capital expenditure</b>		
16.154	1.472	Depreciation of non-current assets	16.423	1.103
2.288	0.388	Impairment of non-current and intangible assets	2.591	0.408
11.698	2.827	Revaluation (gains)/losses on property, plant and equipment	5.209	4.102
1.614	0.000	Amortisation of intangible assets	1.697	0.000
18.273	0.000	Revenue expenditure funded from capital under statute (REFFCUS)	32.677	0.000
1.463	0.155	Non-current assets written off on disposal or sale	15.606	5.055
		<b>Capital financing applied in the year</b>		
(1.977)	0.000	Use of capital receipts to finance capital expenditure	(2.781)	0.000
(6.592)	0.000	Use of current year capital grants to finance capital expenditure	(10.305)	0.000
(16.689)	0.000	Use of grant to finance REFFCUS	(23.215)	0.000
(10.226)	0.000	Use of carried forward capital grants to finance capital expenditure	(19.537)	0.000
(11.261)	0.000	Statutory provision for the financing of capital investment	(12.864)	0.000
(2.249)	0.000	Capital expenditure charged against the general fund	(1.592)	0.000
8.616	0.000	Movement in the market value of investment properties	0.980	0.000
<b>(61.954)</b>	<b>(118.506)</b>	<b>Balance at 31 March</b>	<b>(57.065)</b>	<b>(107.838)</b>

### Financial instruments revaluation reserve

The financial instruments revaluation reserve contains the gains/losses made by the council arising from changes in the value of its investments that are measured at fair value through other comprehensive income.

2018/2019 £m		2019/2020 £m
(17.866)	Balance at 1 April	(17.937)
(0.071)	(Upward)/downward revaluation of investments	9.602
<b>(17.937)</b>	<b>Balance at 31 March</b>	<b>(8.335)</b>

### Pooled investment funds adjustment account

The pooled investment funds adjustment account contains the gains/losses made by the council arising from changes in the value of its investments in pooled investment funds that are measured at fair value through profit and loss.

2018/2019 £m		2019/2020 £m
1.019	Balance at 1 April	0.724
(0.295)	(Upward)/downward revaluation of investments	1.633
<b>0.724</b>	<b>Balance at 31 March</b>	<b>2.357</b>

### 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.

2018/2019 £m		2019/2020 £m
(0.080)	Balance at 1 April	(0.075)
0.003	Release of deferred capital receipts to revenue as per regulations	0.002
0.002	Transfer to the capital receipts reserve upon receipt of cash	0.000
<b>(0.075)</b>	<b>Balance at 31 March</b>	<b>(0.073)</b>

### Pensions reserve

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

2018/2019 £m		2019/2020 £m
577.530	Balance at 1 April	563.009
(40.328)	Remeasurements of net defined benefits liabilities/(assets)	(7.926)
60.655	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	53.555
(34.848)	Employer's pensions contributions and direct payments to pensioners payable in the year	(36.199)
<b>563.009</b>	<b>Balance at 31 March</b>	<b>572.439</b>

For further information on the changes in the defined benefit pension scheme. Please see note 14 page 66.

### Collection fund adjustment account

The collection fund adjustment account manages the differences arising from the recognition of council tax income in the CIES as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the general fund from the collection fund. Details on the collection fund can be found on page 109.

2018/2019 £m		2019/2020 £m
0.289	Balance at 1 April	(0.270)
0.280	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	(1.599)
(0.839)	Amount by which NDR income credited to the comprehensive income and expenditure statement is different from NDR income calculated for the year in accordance with statutory requirements	(0.632)
<b>(0.270)</b>	<b>Balance at 31 March</b>	<b>(2.501)</b>

### 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.

2018/2019 £m		2019/2020 £m
6.020	Balance at 1 April	5.272
(0.748)	Movement by which officer remuneration charged to CIES is different to that chargeable in year in accordance with statutory requirements compared to previous year	1.228
<b>5.272</b>	<b>Balance at 31 March</b>	<b>6.500</b>

### 38. Note to cash flow statement

2018/2019 £m		2019/2020 £m
	<b>Adjustment for non-cash items in the net surplus/deficit on the provision of services</b>	
(16.280)	Depreciation	(17.525)
(15.607)	Revaluations and impairments	(7.800)
(1.614)	Amortisation and impairments of intangible assets	(1.698)
8.316	Increase/(decrease) in debtors	10.969
(30.466)	(Increase)/decrease in creditors	(16.992)
(0.182)	Increase/(decrease) in inventories	(0.050)
(60.327)	Movement in pension liability	(53.555)
(1.618)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(20.662)
(4.838)	Other non-cash items charged to the net surplus/deficit on the provision of services	(4.513)
<b>(122.616)</b>	<b>Total</b>	<b>(111.826)</b>
	<b>Adjustments for investing and financing activities in the net surplus/deficit</b>	
1.899	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1.478
45.525	Any other items for which the cash effects are investing or financing cash flows	63.515
<b>47.424</b>	<b>Total</b>	<b>64.993</b>

### 39. Contingent liabilities and contingent assets

#### Contaminated land – former gas works – Oakridge Drive

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

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

#### Learning disabilities pool budget – Walsall CCG

##### Contingent Asset

Since September 2016 there has been an ongoing dispute between Walsall CCG & Walsall Council around the CCG's contribution to the Learning Disabilities Pooled. This related to the fall out of

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Continuing Health Care (CHC) clients that made up the original pooled budget due to either death or becoming ineligible for CHC.

In August 2019 it was agreed by all parties that an independent consultant would apply an agreed tool that would provide an accurate split of social care costs for non CHC clients between health and social care.

Following the application of an agreed tool it was determined that the average split of costs was 19% to CCG and 81% to the council. However following a change in senior management at Walsall CCG it has been agreed that the CCG will revert back to the original agreement and settle the disputed element.

The council has responded positively to this proposal but are currently awaiting a response from the CCG.

### Contingent Liability

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

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



## Collection fund

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

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

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

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

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

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

The national code of practice followed by local authorities in England stipulates that a collection fund income and expenditure account is included in the council's accounts. The collection fund balance sheet meanwhile is incorporated into the council's consolidated balance sheet.

## 1. Collection fund income and expenditure account

2018/2019				2019/2020		
Council Tax £m	NDR £m	Total £m		Council Tax £m	NDR £m	Total £m
(131.521)	0.000	(131.521)	<b>Income</b>			
			Income from council tax	(139.186)	0.000	(139.186)
<b>(131.521)</b>	<b>0.000</b>	<b>(131.521)</b>	<b>Sub total</b>	<b>(139.186)</b>	<b>0.000</b>	<b>(139.186)</b>
0.000	(72.302)	(72.302)	Income collectable from business ratepayers	0.000	(74.378)	(74.378)
<b>(131.521)</b>	<b>(72.302)</b>	<b>(203.823)</b>	<b>Total income</b>	<b>(139.186)</b>	<b>(74.378)</b>	<b>(213.564)</b>
			<b>Expenditure</b>			
			<b>Council tax precepts:</b>			
114.986	0.000	114.986	Walsall Council	121.373	0.000	121.373
8.966	0.000	8.966	Police	10.800	0.000	10.800
4.103	0.000	4.103	Fire and Civil Defence	4.290	0.000	4.290
			<b>Business rates:</b>			
0.000	0.573	0.573	Payments to Government	0.000	0.000	0.000
0.000	0.714	0.714	Payments to Fire	0.000	0.725	0.725
0.000	70.162	70.162	Payments to Walsall Council	0.000	71.865	71.865
0.000	0.338	0.338	Costs of collection	0.000	0.330	0.330
0.000	(1.451)	(1.451)	Transitional protection payments	0.000	(0.264)	(0.264)
0.000	0.022	0.022	Enterprise Zone relief	0.000	(0.047)	(0.047)
0.000	0.000	0.000	Deferred income	0.000	0.000	0.000
1.513	0.317	1.830	Allowance for impairments	(2.738)	0.090	(2.648)
0.100	0.000	0.100	Write offs	1.963	0.000	1.963
0.000	0.629	0.629	Provision for appeals	0.000	0.970	0.970
<b>129.668</b>	<b>71.304</b>	<b>200.972</b>	<b>Total expenditure</b>	<b>135.688</b>	<b>73.669</b>	<b>209.357</b>
<b>(1.853)</b>	<b>(0.998)</b>	<b>(2.851)</b>	<b>(Surplus)/deficit for year</b>	<b>(3.498)</b>	<b>(0.709)</b>	<b>(4.207)</b>
			<b>Collection fund balance</b>			
(1.632)	1.780	0.148	Balance brought forward at 1 April	(1.321)	0.950	(0.371)
0.145	0.000	0.145	Police - payment to / (from)	0.118	0.000	0.118
0.071	0.000	0.071	Fire - payment to / (from)	0.054	0.000	0.054
1.948	0.000	1.948	Walsall Council - payment to / (from)	1.510	0.000	1.510
0.000	0.168	0.168	Prior year balance adjustment	0.000	0.000	0.000
(1.853)	(0.998)	(2.851)	(Surplus)/deficit for the year (as above)	(3.498)	(0.709)	(4.207)
<b>(1.321)</b>	<b>0.950</b>	<b>(0.371)</b>	<b>Balance carried forward at 31 March</b>	<b>(3.137)</b>	<b>0.241</b>	<b>(2.896)</b>
			<b>Allocated to:</b>			
(1.189)	0.834	(0.355)	Walsall Council	(2.788)	0.202	(2.586)
0.000	0.022	0.022	Walsall Council Enterprise Zone	0.000	(0.047)	(0.047)
(0.089)	0.000	(0.089)	Police	(0.252)	0.000	(0.252)
(0.043)	0.010	(0.033)	Fire	(0.097)	0.002	(0.095)
0.000	0.084	0.084	Government	0.000	0.084	0.084
<b>(1.321)</b>	<b>0.950</b>	<b>(0.371)</b>		<b>(3.137)</b>	<b>0.241</b>	<b>(2.896)</b>

## 2. Calculation of tax base

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

The council tax base for 2019/20 is as follows:

Band	Weighting	Number of dwellings on valuation list	Discounted value for council tax purposes	Band D equivalent	Band D equivalent for 2018/19
A	6/9	50,741	32,753	<b>21,348</b>	<b>20,894</b>
B	7/9	27,157	21,298	<b>16,201</b>	<b>15,902</b>
C	8/9	18,357	15,751	<b>13,693</b>	<b>13,525</b>
D	9/9	10,201	9,160	<b>8,958</b>	<b>8,879</b>
E	11/9	5,550	5,138	<b>6,142</b>	<b>6,108</b>
F	13/9	2,387	2,229	<b>3,149</b>	<b>3,157</b>
G	15/9	809	757	<b>1,233</b>	<b>1,207</b>
H	18/9	50	35	<b>69</b>	<b>71</b>
		<b>115,252</b>	<b>87,121</b>	<b>70,793</b>	<b>69,743</b>

## 3. Income from business ratepayers

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

Central government set a baseline level of business rates income for each authority, identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to central government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect, Walsall received a top up grant to the General Fund in 2019/20 to the value of £17.953 million (£26.961 million in 2018/19).

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

For 2019/20, the total non-domestic rateable value at the year-end is £191.014 million (£189.727 million in 2018/19). The national multipliers for 2019/20 were 49.1p for qualifying small businesses, and the standard multiplier being 50.4p for all other businesses (48.0p and 49.3p respectively in 2018/19).

#### 4. Council tax/NDR allowance for impairments and NDR provision for valuation appeals

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

2018/2019				2019/2020		
Walsall £m	Preceptors £m	Total £m		Walsall £m	Preceptors £m	Total £m
(7.141)	(0.812)	(7.953)	Balance at 1 April	(8.420)	(1.047)	(9.467)
(0.107)	(0.014)	(0.121)	Write offs during year for previous years	0.000	0.000	0.000
(1.172)	(0.221)	(1.393)	Contributions to provisions during year	2.443	0.295	2.738
<b>(1.279)</b>	<b>(0.235)</b>	<b>(1.514)</b>	<b>Net (Increase) / Decrease in Provision</b>	<b>2.443</b>	<b>0.295</b>	<b>2.738</b>
<b>(8.420)</b>	<b>(1.047)</b>	<b>(9.467)</b>	<b>Balance at 31 March</b>	<b>(5.977)</b>	<b>(0.752)</b>	<b>(6.729)</b>

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

2018/2019				2019/2020		
Walsall £m	Preceptors £m	Total £m		Walsall £m	Preceptors £m	Total £m
(2.154)	(0.022)	(2.176)	Balance at 1 April	(2.468)	(0.025)	(2.493)
0.549	0.006	0.555	Write offs during year for previous years	0.791	0.008	0.799
(0.863)	(0.009)	(0.872)	Contributions to provisions during year	(0.880)	(0.009)	(0.889)
<b>(0.314)</b>	<b>(0.003)</b>	<b>(0.317)</b>	<b>Net (Increase) / Decrease in Provision</b>	<b>(0.089)</b>	<b>(0.001)</b>	<b>(0.090)</b>
<b>(2.468)</b>	<b>(0.025)</b>	<b>(2.493)</b>	<b>Balance at 31 March</b>	<b>(2.557)</b>	<b>(0.026)</b>	<b>(2.583)</b>

Business rate payers can appeal against their rateable value. Any appeals lodged with the Valuation Office Agency (VOA) that have not been settled by 31 March 2020 require a provision to be set aside in the collection fund account. Walsall's share of this provision, £7.668 million, is shown in note Provisions page 98.

2018/2019				2019/2020		
Walsall £m	Preceptors £m	Total £m		Walsall £m	Preceptors £m	Total £m
(7.424)	(0.075)	(7.499)	Balance at 1 April	(7.498)	(0.076)	(7.574)
1.044	0.010	1.054	Amounts utilised in the year	3.266	0.033	3.299
(1.118)	(0.011)	(1.129)	Contributions to provisions during year	(3.436)	(0.034)	(3.470)
<b>(0.074)</b>	<b>(0.001)</b>	<b>(0.075)</b>	<b>Net (Increase) / Decrease in Provision</b>	<b>(0.170)</b>	<b>(0.001)</b>	<b>(0.171)</b>
<b>(7.498)</b>	<b>(0.076)</b>	<b>(7.574)</b>	<b>Balance at 31 March</b>	<b>(7.668)</b>	<b>(0.077)</b>	<b>(7.745)</b>

## Trust and scholarship accounts

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

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

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

- SW Tame Fund – for the purposes of prizes at Joseph Leckie School. Current fund balance £586 (2018/19 £586).
- John Leckie Memorial Fund – for the provision of scholarships. Current fund balance £29,714 (2018/19 £29,714).
- Walsall Agricultural Fund – for the provision of a prize fund. Current fund balance £774 (2018/19 £774).

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

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

## Monies for residents in council care homes

In addition the council also holds monies on behalf of residents of council care homes who are unable to administer their own affairs. These monies are held in the council's bank account. For 2019/20 the balance of residents' monies held was £2.505 million (£3.000 million in 2018/19).

## Section B – Annual governance statement

### Annual governance statement

#### 1. Scope of responsibility

This statement is given in respect of the 2019/20 statement of accounts for Walsall Council. Walsall Council is responsible for ensuring that its business is conducted in accordance with the laws and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. Walsall Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

Walsall has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and sets out its commitment to good governance. This statement explains how Walsall Council has complied with the Code and also meets the requirement of the Accounts and Audit Regulations 2015.

This statement acknowledges the impact of Covid-19 on the Council's operations and decision making and governance arrangements. The annual review has considered actions taken by the Council to manage this impact.

#### 2. The purpose of the Governance Framework

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

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

The governance framework has been in place at Walsall Council for the year ended 31 March 2020 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 contained in the Council's Local Code of Governance. The Code in force during 2019/20

is available at the following link. [Code of Governance](#). The Local Code of Governance incorporates seven core principles of good governance:

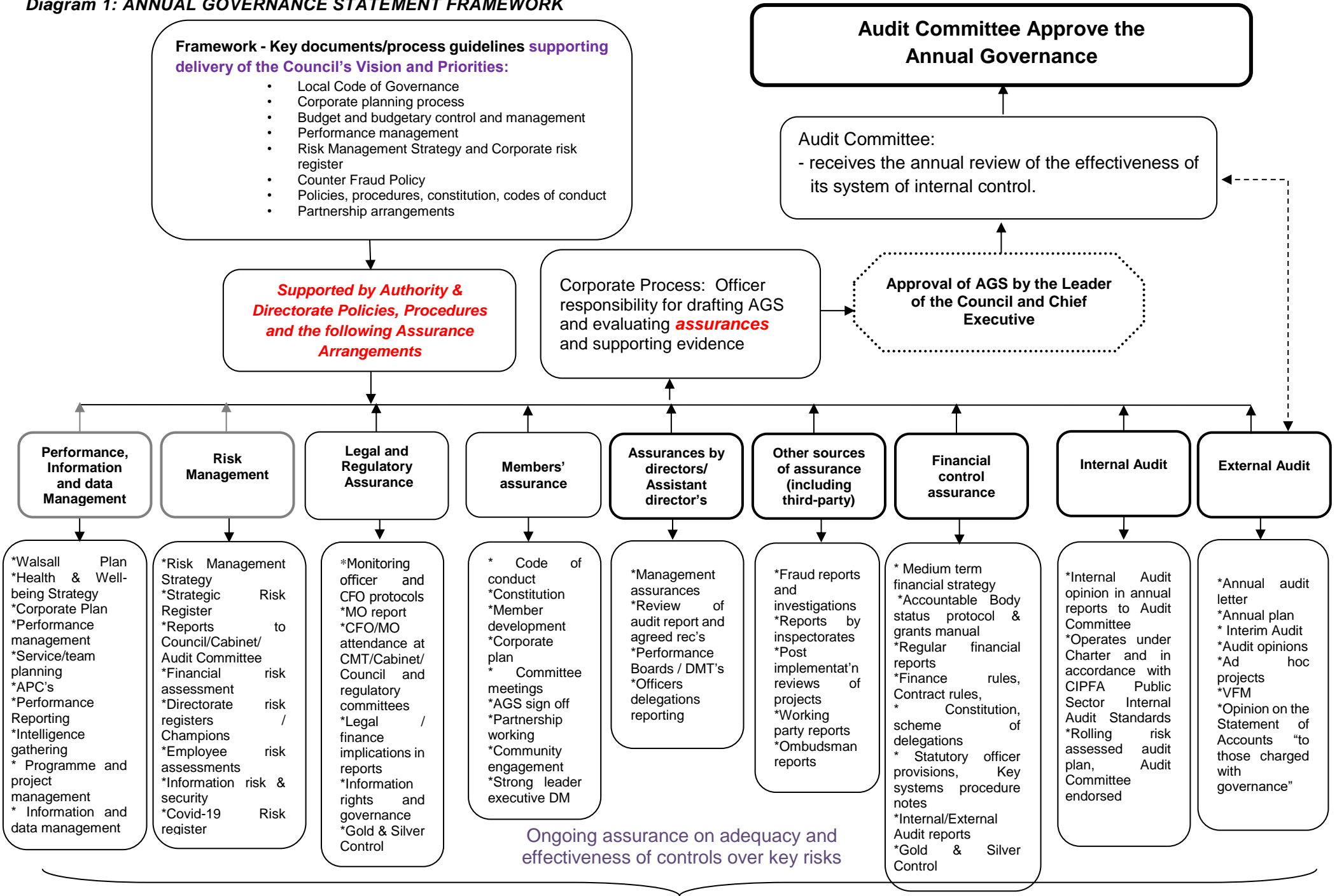
1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
2. Ensuring openness and comprehensive stakeholder engagement.
3. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
4. Determining the interventions necessary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

The governance framework consists of the local Code of Governance supported by the strategies, corporate systems, policies, practices and processes, spanning the whole range of the Council's activities. This includes management information, finance and contract rules, established financial, budgetary, personnel and other procedures, a performance management framework, community and corporate planning, management supervision in accordance with the corporate employee annual performance conversation (APC) framework, a risk management strategy and process, and a system of officer and member delegation and accountability and codes of conduct. Diagram 1 illustrates the overall governance framework which is discussed in more detail in the following sections.

The AGS review reported on amendments to the governance and decision making processes introduced in March to allow the Council to respond to the Coronavirus pandemic in a timely manner, whilst still operating within our overall good governance arrangements. These include the setting up of Gold and Silver Control meetings to manage the Council's response to Covid-19 following the suspension of all Council meetings after March, establishment of a Covid-19 risk register and enhanced controls in relation to authorisation, monitoring and reporting of financial spend in relation to Covid-19. These are included within the framework below.



**Diagram 1: ANNUAL GOVERNANCE STATEMENT FRAMEWORK**



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

In particular, the system includes the following key elements:

- A Partnership Plan (Walsall Plan – the Health and Wellbeing Strategy for the Borough), setting out ambition, objectives and priorities of the Council and key partners, developed following consultation with the community and stakeholders – supported by our Corporate Plan 2018-2021.
- A robust financial framework, incorporating a comprehensive medium term financial strategy and plan, budget management and control framework, supported by financial procedures and guidelines underpinning sound financial management, reporting and standing.
- An information governance framework.
- A comprehensive risk management strategy and internal control framework, operating at both strategic and operational levels. This now incorporates a Covid-19 Strategic Risk Register.
- An approved Constitution, including finance and contract rules, a scheme of delegations and decision-making processes of the Council, ensuring sound decision making and compliance with regulations and the law.
- Standards Committee, Audit Committee, scrutiny function and other regulatory committees.
- Statutory Monitoring and Chief Finance Officers ensuring the Council operates within existing legislation and statutory guidance.
- Comprehensive policies and procedures, including codes of conduct (member and officer ethics and behaviours), whistle blowing policy and a counter-fraud and anti-corruption policy and strategy.
- Clear measures of financial performance linked to the Corporate Plan.
- The preparation of regular reports to managers, executive directors, Corporate Management Team (CMT) and elected members which indicate actual expenditure against budget and highlight remedial action, where required.
- Use of an accountable body status protocol and grant management arrangements when the Council acts as accountable body for funds, including in relation to partnership working to ensure that activities are administered consistently and robustly across the Council.
- A risk assessed Internal Audit plan that is planned in advance which covers all major systems of internal control and which is based on a risk assessment of key systems and controls.
- An internal audit function that operates in accordance with the CIPFA Code of Practice, compliance with which is assessed.
- An independent external audit function which reports on the financial and governance arrangements of the Council.
- Member and officer development strategy and individual development planning processes.
- Comprehensive communication and consultation arrangements both internally and externally.
- In response to the Coronavirus pandemic, a Gold and Silver Control meeting structure has been established to manage the impact of the Covid-19 crisis; they met initially on a daily basis in order to analyse and respond to issues and information that the Council receives

both on a local and national basis. In addition, their role is to ensure that, whilst allowing agile decision making, additional Covid-19 related spend is properly authorised, monitored and managed. Guidance has been provided to officers and members in relation to lawful decision making during the pandemic.

There are a number of key elements of the governance framework and internal control environment which assist the Council in monitoring and managing the achievement of its objectives. These are included in the Council's published overarching strategies and plans including; the Walsall Plan; the Corporate Plan (both informed by key strategic needs assessments - the joints strategic needs assessment, economic needs assessment and community safety needs assessment; Medium term financial strategy, corporate budget plan, capital strategy, risk management strategy; treasury management and investment strategy; change management approach, and directorate strategy and planning documents. These documents set out the Council's priorities.

The Corporate Plan 2018-2021 explains what we are doing as a Council and what we are trying to achieve. Key achievements delivered against priorities over the last 12 months were reported to Cabinet on 19 May 2020. The report can be accessed at the following link: [Review of Achievements 2019/20](#)

Responsibility for managing performance lies with individuals at all levels in the organisation and the current performance management framework and approach taken continues to aim to empower staff, services and leadership to apply the principles of performance management appropriately as required to individual circumstances. The Council is currently reviewing the corporate performance management framework to suit the measures being reported on and an increased focus on delivery of activity to address the priority issues and an updated Framework will be reported to Audit Committee in January 2021.

The Council's Constitution sets out how the authority operates and refers to required procedures to be followed to ensure all activity and decision-making is transparent and accountable to the local community. This includes a scheme of delegation and contract and finance rules which set out the control environment in which the Council operates. The Constitution was reviewed and updated in May 2019. In addition, during March 2020, a Gold and Silver Control meeting structure was set up to manage the impact of the Covid-19 crisis in order to analyse and respond to issues and information that the Council receives both on a local and national basis. In addition to this the Council has provided advice to all senior officers regarding lawful decision-making in the current crisis, as a consequence of having to postpone Council meetings to follow government guidance in relation to the lockdown. The Council is now rolling out virtual meetings following the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 coming into force on 4 April 2020. This will ensure greater openness and transparency in decision-making and allow for scrutiny of executive decisions. The council is carrying out a governance view in relation to council meetings in July 2020 to see whether or not further elements of decision-making can be reintroduced on a safe basis. The council has now held a meeting of full Council and is looking at a technological solution to implement electronic voting.

The Constitution also sets out Codes of Conduct for members and officers, setting out appropriate standards of conduct and expectations around ethics and behaviours. Comprehensive policies and procedures such as human resource policies support officers in carrying out their roles. These include whistleblowing procedures, the Grievance policy; and performance management procedures. A significant grievance investigation took place in 2019/20 which tested the lawfulness and application of the Council's Constitution and grievance policy. The Council's external auditors

were informed of the outcome of this investigation and were satisfied with the way in which the Council applied its governance in managing the procedure. The Council will need to ensure that managers have adequate training in relation to the lawful application of policy and procedure. An audit of the training that senior managers undertaken will be carried out and relevant training provided. There are at present other grievance matters subject to investigation and if anything significant arises as a consequence of those processes they will be incorporated in the next AGS. The detail of these matters are confidential.

The Council has an established risk management framework, designed to identify, evaluate, manage and where possible, mitigate risks to the Council in delivering its objectives. There is an ongoing programme of reporting and review of both corporate and operational risks, and this extends to an assessment of risks in financial planning and major projects and partnerships. A revised Risk Management Strategy was approved by Audit Committee in January 2019, and a revised Strategic Risk Register (SRR) implemented. A lessons learnt report was presented to CMT in June 2020 and is due to be presented to Audit Committee in July 2020, recommending some changes to the approach. The next comprehensive review is due in 2021. Committee received reports on risk management at their April and September 2019 meetings. The SRR was reviewed and updated for Covid-19 risks during May, reported to CMT in June 2020 and presented to Audit Committee in July 2020.

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. A Covid-19 financial register and risk register was established in April and this has been used to monitor and report on actual costs and risks to CMT and Cabinet in May, July and September 2020.

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

The Executive Director, Resources and Transformation and S151 Officer was responsible during 2019/20 for the proper administration of the Council's affairs, as required by Section 151 of the Local Government Act 1972. The AGS is required to contain a statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2016)*. The Statement sets out five principles which define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them. In assessing these five principles, the Authority complied with all of these during 2019/20.

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

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

The Audit Committee receives summary reports of audits receiving a no or limited assurance opinion and external audit recommendations and actions and seeks to ensure that control weaknesses where identified are addressed. The Committee has a function in respect of the system of internal

control and its effectiveness and the work of the Committee includes the review of the Annual Governance Statement and its formal approval in September of each year.

The Council is investing in training and development of officers and members to ensure that they have the necessary support in ensuring that the Council acts in accordance with its Constitution, policy, and procedures.

#### **4. Review of Effectiveness**

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

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

- The annual work programme of the Audit Committee including receiving, considering and reviewing reports on the work of Internal and External Audit, including reports on internal controls, risk management, grants, the external auditor's Interim Audit, it's opinion on Value for Money and the financial resilience of the Council, the external audit opinion on the statement of accounts and the annual audit and inspection letter.
- A review of the AGS via key questions by Internal Audit during 2019/20 to assess the extent to which compliance with the framework has been met.
- Internal Audit's Annual Opinion Report.
- The annual responses from Audit Committee, the Monitoring Officer and Chief Finance Officer to external audit in relation to management processes and arrangements and oversight of these.
- Findings of the external auditor and other review agencies and inspectorates, and Council actions to address these.
- Cabinet, corporate management team and senior officers monitoring the effectiveness of the governance framework through receiving monitoring reports on performance and financial management and risk management, including progress against key objectives and measures and corrective action planning; the overall financial position; updates on performance in relation to management of key risks to the organisation; and receiving regular reports via Audit Committee on the internal control mechanisms in place and their effectiveness.
- The monitoring and regular review of the Council's Constitution, Codes of Conduct, and committee, officer and member governance processes (delegations, finance and contract rules, etc).
- Review and reporting of financial health indicators and financial procedures.
- Improvements recommended by Audit Committee on the framework for reporting such as the Corporate Risk Management Strategy, Strategic Risk Register, Corporate performance Management Framework and Counter Fraud arrangements.
- The work of the executive directors and managers within the authority who have responsibility for the development and maintenance of the governance environment.
- The workings of Silver and Gold Control and reporting of decisions to members.
- Review of May, July and September Cabinet reports setting out the Council's response to Covid-19 in relation to governance and decision making; safeguarding within adults and children's social care; supporting the shielded and vulnerable residents in the community; Supporting business; Managing delivery of the Proud programme and the impact on delivery of approved budget savings; Corporate financial performance Amendments to the governance and decision making processes;



- The Chief Executive and the Leader of the Council and elected members, via the Audit Committee, who formally consider and approve the Annual Governance Statement (AGS) annually.

In respect of the system of internal control, a review of the following areas has been undertaken and will be reported to Audit Committee on 27 July 2020 to inform the overall opinion as to the effectiveness of the system of internal control:

- The work of the Audit Committee in 2019/20 in:
  - receiving limited assurance internal audit reports;
  - reviewing the Risk Management Strategy and Strategy Risk Register;
  - approving accounting policies, the statement of accounts and the annual governance statement;
  - receiving external audit reports on the annual audit and inspection letter;
  - responding to the Council’s external auditors requirement to obtain an understanding of management processes and the Audit Committee’s oversight of the Council’s governance arrangements in relation to general enquiries of management; fraud risk assessment; the impact of laws and regulations; going concern considerations; related parties and accounting estimates
  - reviewing the effectiveness of the Audit Committee;
  - reviewing counter fraud arrangements against the Fighting Fraud Locally (FFL) Good Practice advice and checklist.
- Internal Audit’s evaluation of the effectiveness of the Council’s risk management, control and governance processes; identified control weaknesses 2019/20 and the Annual Opinion. The Annual Opinion is as follows:

*“On the basis of our audit work, our opinion on the Council’s framework of governance, risk management and internal control is Substantial in its overall adequacy and effectiveness. Certain weaknesses and exceptions were highlighted by our audit work, 11 of which were fundamental in nature. These matters have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.*

*In reaching this opinion the following factors were taken into particular consideration:*

#### Corporate Governance and Risk Management

*Governance arrangements have been considered and reported within the other reviews undertaken through the year and controls assurance work has been carried out to inform the Council’s Annual Governance Statement. Work to further embed the new approach to risk management in the Council started in the prior year has continued, with regular progress reports to both CMT and the Audit Committee. There has been a strong commitment at Member and officer level to ensure the risk management framework continues to evolve and strengthen. There is a risk champion in place for each directorate who is committed to supporting robust risk management activity. A review of the Risk Management Strategy for 2020/21 will be completed once the staff restructure resulting from the Walsall Proud Programme has been completed.*

Internal Control

*Of the 45 audits undertaken in the year where we provided a formal assurance level, eight were given a 'Good' level of assurance, 24 a 'Substantial' level of assurance and eight a 'Limited' level of assurance. No audits were given "No' level of assurance.*

*During the year, we have made 11 'Priority 1' recommendations and these are summarised in Appendix A2 of this report. 111 recommendations categorised as 'Priority 2' were also made.*

*In respect of follow up of recommendations, internal audit has an established process for tracking the implementation of recommendations raised and enabling Management to report on their status to each Audit Committee meeting. During the year, we reviewed the implementation of recommendations as they fell due and confirmed their implementation status.*

All recommendations made during the year were accepted by Management".

- Progress in addressing governance Issues and control weaknesses identified in the 2018/19 AGS and progress in addressing these;
- The work of Internal Audit to assess the extent to which compliance with the AGS framework has been met by the Council;
- The work of Internal Audit and compliance with Public Sector Internal Audit Standards which came into effect on 1 April 2013;
- Regular reporting to and scrutiny by Audit Committee of strategic risks;
- The work of other regulatory Committees – Standards;
- The work of Inspectorates and the Council's response and actions plans to address Inadequate findings;
- The work of external audit;
- Changes made to the existing governance and decision making reporting arrangements to support the Council's response to Covid-19 during 2020 and to ensure governance remains strong;
- Review of May, July and September Cabinet reports setting out the Council's response to Covid-19 in relation to governance and decision making; safeguarding within adults and children's social care; supporting the shielded and vulnerable residents in the community; Supporting business; Managing delivery of the Proud programme and the impact on delivery of approved budget savings; Corporate financial performance
- Financial and performance reporting, including in relation to financial and budgetary control, risk, information governance and data protection arrangements, and other supporting evidence.

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

The production of the Statement and effectiveness review has been able to substantially rely on existing assurance provisions. Specifically the Head of Internal Audit Annual Opinion and Report, which is a major source of assurance, has been finalised within the usual timeframes. There are no limitations to the review to report to the leadership team or Audit Committee. As well as existing assurance areas (external audit, the work of the Audit Committee, etc), additional assurance in



relation to Covid-19 has been drawn from reports presented to Cabinet in May, July and September 2020 as set out in the effectiveness review report presented to Audit Committee on 27 July.

## 5. Significant Governance Issues

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

There are no significant governance issues to report.

Some control weaknesses have been identified, which were reported to Audit Committee throughout 2019/20 as they arose and are summarised in the Annual Review of Effectiveness of the System of Internal Control report to Audit Committee on 27 July 2020. Actions are in place to address these.

The Council continues to manage the impact of Covid-19 and acknowledges that the pandemic has had an impact on service delivery and decision making arrangements. Existing Constitutional provisions have been utilised to manage our emergency response. Where appropriate, additional controls have been put in place to manage the impact and risks associated with Covid-19.

Dr Helen Paterson

Chief Executive

Date: 6 November 2020

Councillor Mike Bird

Leader of the Council

Date: 6 November 2020

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

## Glossary

### A

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

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

**Accounting period:** The period of time covered by the accounts, normally twelve months commencing on 1 April. The end of the accounting period i.e. 31 March is the balance sheet date.

**Accounting policies:** Within the range of possible methods of accounting, a statement of the actual methods chosen locally and used to prepare these accounts.

**Accruals basis:** The method of including amounts in accounts to cover income or expenditure attributable to an accounting period but for which payment has not been received or made by the end of the accounting period. This is based on the concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

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

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

### B

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

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

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

**Billing authority:** Walsall Council is the billing authority responsible for the collection of council tax and non-domestic rates. The council tax includes amounts for precepting authorities – the West Midlands Fire and Rescue and Police Authorities.

**BIA:** Birmingham International Airport

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

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

## C

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

**Capital Adjustment Account:** Financing of capital expenditure and statutory adjustments passes through this account.

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

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

**Capitalised:** Transferred from revenue to capital.

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

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

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

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

**CCG:** Clinical Commissioning Group

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

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

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

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

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

**Community assets:** Assets that the council intends to hold in perpetuity, have no determinable finite useful life and in addition may have restrictions on their disposal. Examples of community assets are playing fields and parks.

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

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

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

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

**Contingent assets:** Potential assets at the balance sheet date which depend on the occurrence or non-occurrence of one or more uncertain future events. The assets should be included in the balance sheet where it is probable that a gain will be realised which can be estimated reasonably accurately at the time the accounts are prepared, otherwise, where the contingencies are likely to be material, the fact that they exist should be disclosed as a note to the accounts.

**Contingent liabilities:** Potential liabilities at the balance sheet date which depend on the occurrence or non-occurrence of one or more uncertain future events. The liabilities should be included in the balance sheet where it is probable that a loss will be incurred which can be estimated reasonably accurately at the time the accounts are prepared, otherwise, where the contingencies are likely to be material, the fact that they exist should be disclosed as a note to the accounts.

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

**Council tax:** A banded property tax which is levied on domestic properties throughout the country. The banding is based on estimated property values as at 1 April 1991. The level of tax is set annually by each local authority for the properties in its area.

**Covid-19:** Coronavirus Disease 2019, a novel coronavirus that has caused a global pandemic in 2020

**Creditors:** Amounts owed by the council for work done, goods received or services rendered to the council during the accounting period, but for which payment has not been made by the balance sheet date.

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

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

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

## D

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

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

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

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

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

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

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

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

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

## E

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

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

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

## F

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

**Finance lease:** A lease that transfers the risk and rewards of ownership of a fixed asset to the lessee. Such a transfer of risk and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amount to substantially all the fair value of the leased asset.

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

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

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

## G

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

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

## H

**Hardship Fund:** A fund created to deliver financial support, including reduced council tax bills, to economically vulnerable residents as a result of Covid-19

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

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

## I

**ICES:** Integrated Community and Equipment Store

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

**IFRIC:** International financial reporting interpretations committee.

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

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

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

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

**Inventories:** Raw materials and consumable items which the council has procured to use on a continuing basis and has not been used by the end of the accounting period.

**Investment properties:** Interests in land and/or buildings in respect of which construction work and development have been completed and which are held for their investment potential rather than for operational purposes, any rental income being negotiated at arm's length.

**Investments:** Items such as company shares, other securities and money deposited with financial institutions (other than bank current accounts).

**ISB:** Individual Schools Budget

## L

**Leasing:** A method of acquiring the use of an asset by paying a rental for a specified period of time, rather than purchasing it outright.

**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.

**LEP:** Local Enterprise Partnership

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

**Liabilities:** Amounts due to individuals or organisations which will have to be paid at some time in the future.

## M

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

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

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

## N

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

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

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



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

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

**Public Works Loan Board (PWLB):** A central Government agency which lends money to local authorities at lower rates than those generally available from the private sector. Local authorities are able to borrow a proportion of their requirements to finance capital expenditure from this source.

## R

**Replacement cost:** Cost of replacement of an asset at the balance sheet date.

**Reserves:** Amounts set aside in the accounts to meet expenditure which the council may decide to incur in future period, but not allocated to specific liabilities which are certain or very likely to occur. Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as balances, and usually arise as unplanned surpluses of income over expenditure.

**Revaluation:** The increase or decrease in an asset's value following valuation by a suitably qualified person.

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

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

**Revenue Support Grant:** A central government grant paid to each local authority to help to finance its general expenditure. The distribution of the grant between authorities is intended to allow the provision of similar standards of service throughout the country for a similar council tax levy.

**Ring-fenced:** This refers to the statutory requirement that certain accounts such as the Collection Fund must be maintained separately from the General Fund.

## S

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

## T

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

## U

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

## V

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

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

## Contact details and sources of information

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Telephone: 01922 652326

Chief Financial Officer  
Walsall Council  
The Council House  
Lichfield Street  
Walsall  
West Midlands WS1 1TW  
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This statement is available from the Walsall Council website [www.walsall.gov.uk](http://www.walsall.gov.uk). Paper copies are also available from the above address.

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

West Midlands Combined Authority  
16 Summer Lane  
Birmingham  
West Midlands B19 3SD  
Website: <https://www.wmca.org.uk/>

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

The Treasurer  
West Midlands Fire and Rescue  
Council House  
Oldbury  
Warley  
West Midlands B69 3DE  
Website: [www.wmfs.net](http://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](http://www.bhx.co.uk)