Walsall Council

Financial Report for 2015/16

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

Subject to Audit

Contents

Preface

Introduction to the 2015/16 Statement of Accounts by Chief Finance Officer James Walsh

The 2015/16 financial year has been challenging for Walsall Council as a result of continued cuts from Central Government and continuing pressures within children's safeguarding and adult social care. The cuts have presented the council with a range of financial challenges, which influenced the budget setting process for 2015/16, and more recently 2016/17, and the way in which council services can be provided.

The revenue budget setting process for 2015/16 delivered a budget saving of approximately £19 million, this is in addition to the almost £80 million of total budget reductions that the council has had to find since 2010/11. Despite having to make these cuts the council still delivers £ 643.215 million of diverse services to the public including education, refuse collection, street lighting, roads, social care and leisure services.

The council was able to deliver these budget savings whilst facing the additional and continuing financial pressures created by demands made on children's safeguarding and adult social care. The council has been able to maintain strong financial performance over the previous year and ended the year with a small operating underspend of £0.701 million.

Maintaining this strong financial performance and good financial health is key to the council being able to meet upcoming challenges with continuing savings which need to be made and expected continuing pressures coming from children's safeguarding and adult social care.

As government funding falls the council will continue to maximise its current sources of income, identify new income streams and pursue all opportunities. Encouraging regeneration of the borough is key to increasing income from council tax through house building and business rates through growth. The council during 2015/16 was in receipt of approximately £30 million of Growth Deal grant funding which is focussed on business growth and job creation within the Black Country.

Support for the regeneration of the borough is further enhanced through the building of two new leisure centres in Bloxwich and Oak Park, the Primark and Co-op developments within the town centre, and the capital programme continues to invest in the future.

2015/16 also brings in the council's new auditors Ernst & Young, who replace the outgoing auditors Grant Thornton.

The accounts have once again been prepared to a high standard and handed over to the council's external auditor within the statutory timeframe set out by the Accounts and Audit Regulations 2015.

James T. Walsh B.Hum (Hons) ACMA CGMA
Chief Financial Officer
15 June 2016

Narrative Report

1. Introduction

These accounts set out the financial results of Walsall Council's activities for the year ending 31 March 2016. The council manages its affairs to ensure the economic, efficient and effective use of resources, safeguard its assets and to ensure the financial resilience and stability of the organisation into the future. This is vital if the council is to continue to play a leading role in the life of Walsall's residents and provide high quality services for their benefit. The task is shared by all members and officers under the leadership of the Executive and Corporate Management Team. The Chief Financial Officer has a particular role in ensuring financial stewardship.

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

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

An introduction to Walsall

The Metropolitan Borough of Walsall is a local government district in the West Midlands, England, with the status of a metropolitan borough. It is named after its largest settlement, Walsall, but covers a larger area which also includes the towns of Aldridge, Bloxwich, Brownhills, Darlaston and Willenhall.

The current boundaries were set as part of the provisions of the Local Government Act 1972, with a change to the north of the borough in 1994. 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. Most of the borough is highly industrialised and densely populated, but areas around the north and east of the borough are open space.

In 1986 the borough became a unitary authority when the West Midlands County Council was abolished. However it remains part of the West Midlands for ceremonial purposes, and for functions such as policing, fire and public transport.

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 Administration.

Key facts about Walsall

Population

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

- Walsall has an estimated resident population of 274,173, of whom 49.1% are male and 50.9% are female.

- The number of residents in the borough has increased over the past decade, reversing the periods of population decline seen through the 1980s and 90s.

- In comparison to England, Walsall has a lower proportion of working age people and more children and older people. The borough's total population is projected to exceed 300,000 for the first time by 2035.

- Walsall has a greater proportion of children than England as a whole. Walsall did not experience the same fall in numbers of children as England, and still has a greater proportion of very young children.

- Walsall has a higher proportion of people above retirement age than nationally (but only up to the ages of around 80, when this pattern reverses). This has implications for local services and the caring responsibilities on the rest of the population.

- The majority of residents in Walsall do not find their day-to-day activities affected by illness or disability over the long-term. However, around one in ten Walsall residents suffer from a long-term health problem or disability that substantially limits their day-to-day activities. This affects 28,100 people, and at 10.4% of the borough's population is above the national average of 8.3%. A similar number of Walsall residents (10.3%) find their day-to-day activities limited a little – again higher than the national average (9.3%). Overall, health problems and disabilities limit the daily lives of one in every five people in Walsall.

- The General Fertility Rate (GFR) of an area is the number of live births per 1,000 women aged 15-44, and it provides a measure of current fertility levels. For every 1,000 Walsall women of child bearing age there were 70.7 live births in 2013 – which gives the borough a higher fertility level than the national average of 62.2. However when looking at Infant mortality Walsall is above the national average with 6.7 deaths per 1,000 compared to the national average of 2.7 per 1,000.

- There has been a significant increase in the level of ethnic diversity in Walsall over the past decade. While 'White British' remains the largest single group at 76.9%, the number of residents from a minority ethnic group has risen to almost one in four. This figure of 23.1% residents is an increase from 2001 when only around 14.8%, or one in six residents, were from an ethnic minority. It is also above the 20.2% minority ethnic proportion of England as a whole in 2011. Nine out of ten Walsall residents (90.1%) were born in the UK. Walsall's minority ethnic population is not equally distributed but is instead largely concentrated into a few areas of the borough, primarily south of Walsall town centre: Pelsall ward has a non-white population of around 2% while in Palfrey it is almost 65%. In some neighbourhoods, 'minority' ethnic groups account for over 90% of residents.

- People in Walsall have a greater level of religious affiliation than in England overall, with three quarters (74.0%) identifying with a religion compared with two thirds (68.1%) nationally. However, in the past decade the proportion of residents who have no current religion has doubled, to one in five.

- While a majority of Walsall residents still view themselves as Christian, this has fallen substantially in the past 10 years from 72.1% in 2001 to 59.1%, as it has nationally. In contrast, the number of Muslims in Walsall has increased from 5.4% to 8.2%.

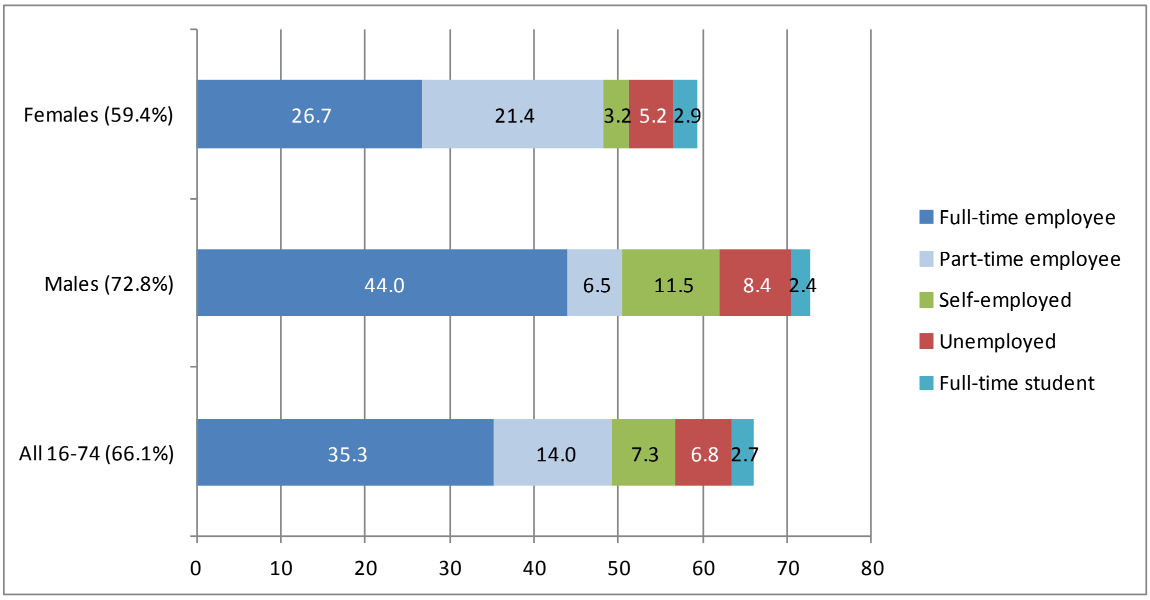
- Deprivation is deeply entrenched in Walsall and has worsened with the recession. There are extremes of deprivation, with central and western areas typically much more deprived than eastern areas, although pockets of deprivation exist even in the more affluent part of the borough. Walsall fares particularly badly in terms of education, income and employment deprivation and many of the issues that challenge the borough match the geography of deprivation. Walsall ranks as the 30th most deprived of the 326 Local Authorities in England, as last measured by the Indices of Multiple Deprivation (IMD) in 2010. That position has worsened since deprivation was previously measured in 2007, when Walsall; ranked 45th out of 354. The IMD is a nationally-recognised small geography measure of deprivation; made up of seven domain indices: income, employment, health and disability, education skills and training, barriers to housing and services, living environment, and crime. It tells us a lot about our local communities and the poverty related pressures those areas experience.

Economy

Economic data from the 2011 census tells us that:

<u>Economic activity</u>

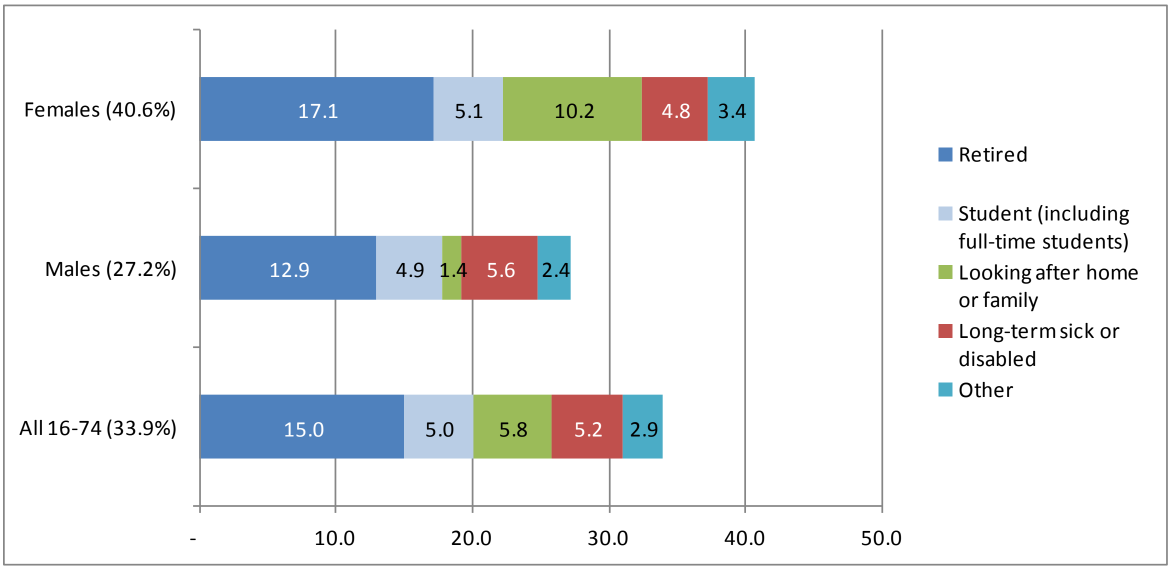
- In total, two thirds (66.1%) of Walsall's adult population are economically active (compared with 69.7% nationally). Economic activity is categorised into various groups as shown in Figure 1.
- Males are more likely to be economically active than females in Walsall. They are also more likely to be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



Economic activity of 16-74 year old residents in Walsall

Economic inactivity

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



Economic inactivity of 16-74 year old residents in Walsall

Key information about Walsall Council

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

Council structure

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

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

Management structure

Supporting the work of councillors is the organisational structure of the council headed by the Corporate Management Team, led by the Chief Executive, Paul Sheehan.

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

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

The role of the Corporate Management Team is:

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

Council officers

As at 31 March 2015 the council employed 3,984 people excluding school based employees, of which 1,229 were male and 2,755 were female.

Walsall Council Workforce excluding schools

- 3% of the workforce excluding schools is under 25 years of age.
- 24% of the workforce excluding schools is 55 years or older
- 48% of the workforce excluding schools is aged between 40- 54 years, made up by the largest group 50-54 years (18%), 45-49 years (17%) and 40-44 years (13%).

At the time of writing there is no comparative data available as at 31 March 2016.

Corporate plan

The Corporate Plan 2016-20 sets out, at a high level, the purpose and priorities that the council believe will help to improve lives and life chances for the residents of Walsall over the next four years.

<u>Our Priorities</u>

In order to meet our purpose and vision, the council will be focussing on the following key priorities over the next four years, recognising that we must do so with decreased and decreasing resources but building on the opportunities and potential of the borough.

Our priorities are taken from The Walsall Plan signed up to by partners and support the vision to make Walsall a great place to live, learn, work and invest. These priorities and some of the council's successes are:

• Supporting business to thrive and supporting local people into work

Jobseeker claimant levels have fallen steadily for the past 2 years, with reductions in the number of young people not in education, employment or training (NEET) and those seeking work and claiming Jobseeker's Allowance.

• Improving Health and well being, including independence for older people

Male Life Expectancy in Walsall has improved narrowing the gap with national figures.

Record number of Gym Members, and doubled the number of Move-it Registrations, widening access to council sport and leisure activities for specific groups e.g. those on low income; aged 60+; people who need to lose weight to improve their health

• Creating Safe, Sustainable and Inclusive Communities – Reducing levels of crime and providing the right environment for people to live in.

Over 1800 residents registered for the council backed 'Big Fuel Switch' scheme in 2014/15, of which 500 actually switched, making estimated total annual savings on fuel bills of £105k

• Improving Safeguarding, Learning and the Life Chances for Children and Young People - Recognising that a person's early years crucially help determine what kind of future they will have.

The proportion of Walsall schools rated as good or outstanding by Ofsted has risen to 75% in December 2015 compared with 70.3% in December 2014. Both local further education providers (Walsall College and Walsall Adult & Community College) have been rated 'outstanding' by Ofsted.

Secondary school students attaining 5 or more GCSE'S including English and Maths in 2015 rose by 2%, closing the gap on the national average to just 3%

The average time a child spends in care before being adopted has reduced from 684 days in March 2014 to 600 days in March 2015.
More people with social care needs are able to live independently in their own homes

The council also recognises the importance of ensuring that there is effective support for delivery and so a fifth priority is making sure that front line services are able to pull on the support they need from other services and creating a modern, dynamic and efficient workforce.

2. An overview of the council's financial performance in 2015/16

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. To 2015/16, reductions have totalled in the region of 38% with a further up to 40% expected by 2020.

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

In the financial year ended 31 March 2016, the council received income of £700.295 million and saw expenditure of £730.357 million, resulting in a deficit on the provision of services of £30.062 million. However after removing statutory accounting adjustments of £17.834 million for items such as depreciation, impairments of fixed assets and entries in relation to pension costs, and accounting for funds set aside for specific future use of £14.845 million, the net surplus for the year was £2.617 million. These adjustments are required by regulation to enable the council to remove costs which are not actual cash payments such as depreciation, otherwise council tax levels would need to be raised to cover such accounting costs. These adjustments can be seen in note 21, page 74.

The council had planned in-year use of general reserves of £0.800 million, a further £4.672 million allocated in year as approved by Cabinet, transfers of £4.609 million arising from a review and subsequent release of earmarked reserves, and replenishment of general reserves of £2.780 million. Therefore the net position for the council is an under spend against budget of £0.701 million.

General reserves have moved from an opening position of £11.514 million to £14.131 million as at 31 March 2016 as a result of the net surplus of £2.617 million incurred. These movements can be seen within the movement in reserves statement on page 30. Of these closing reserves £0.599 million is to be used in 2016/17 to assist in financing council expenditure. This planned use leaves £13.532 million available to the council.

Overall the comprehensive income and expenditure statement (CIES) shows a surplus of £21.881 million for the year. The main reason for moving from a deficit on the provision of services to a surplus on the total CIES is due to a £54.989 million change in value on the pension fund. The surplus on the CIES represents the total surplus on the provision of services adjusted for other movements in reserves that under accounting regulations do not get charged to the provision of services (e.g revaluation of fixed assets and pension remeasurements). This amount can be reconciled to the movement on net assets between 2014/15 and 2015/16 on the balance sheet.

Material movements in the CIES

Income and expenditure on Adult Social Care has increased due to the introduction of the Better Care Fund. Please see note 10 on page 55 for further details on Better Care Fund.

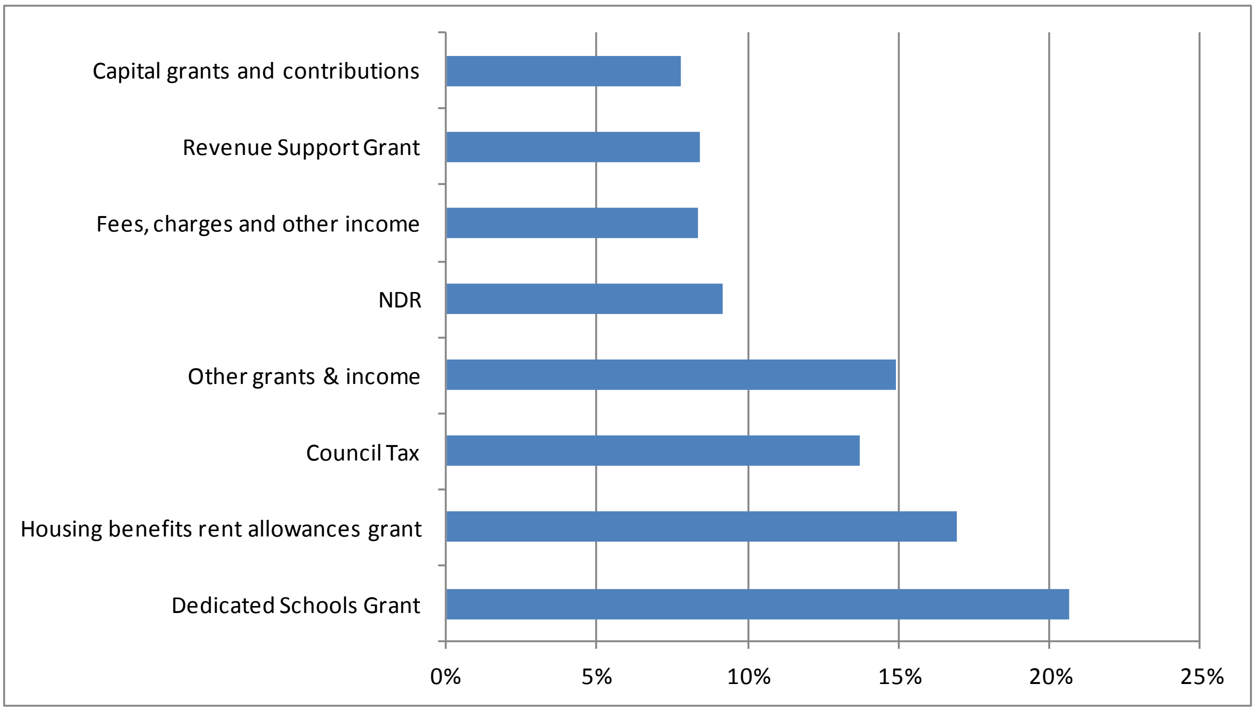
Other operating expenditure has increased by approximately £26 million as a result of losses on disposal of long term assets. Disposal of schools converting to Academy status accounts for approximately £22 million of the total loss.

Financing and investment income has increased by approximately £4 million as a result of a special dividend received from the investment the council holds in Birmingham Airport. Financing and investment expenditure has increased by approximately £7 million as a result of a premium paid to redeem a long term loan and a reduction in interest payments.

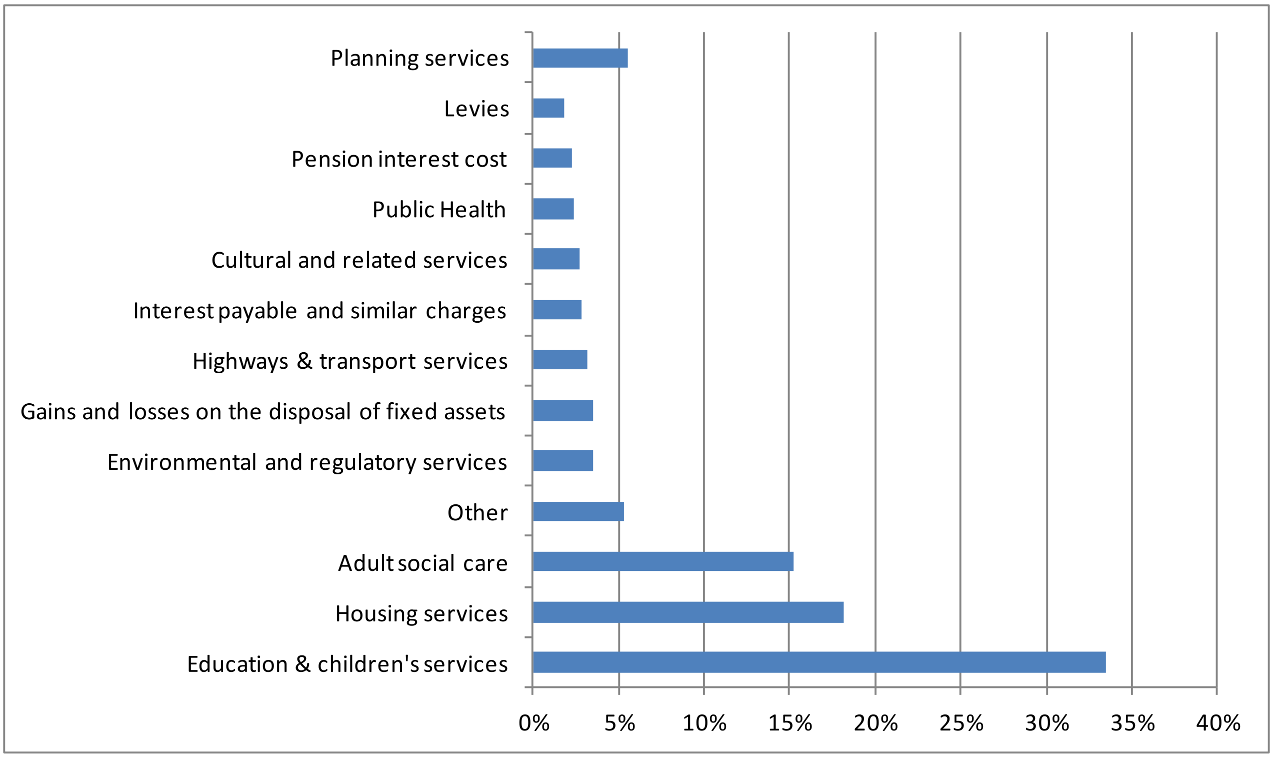
Taxation and non-specific grant income has decreased due to a reduction in government funding especially through revenue support grant.

The re-measurement gain on the pension fund of approximately £55 million represents a significant improvement in the funding status of the pension fund following a re-measurement loss in 2014/15 of approximately £91 million. The main change relates to the increase in the discount rate used by the actuary to discount the future cash flows of the pension fund. The council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation.

The following graph shows the sources of income received by the council within the CIES on page 29.



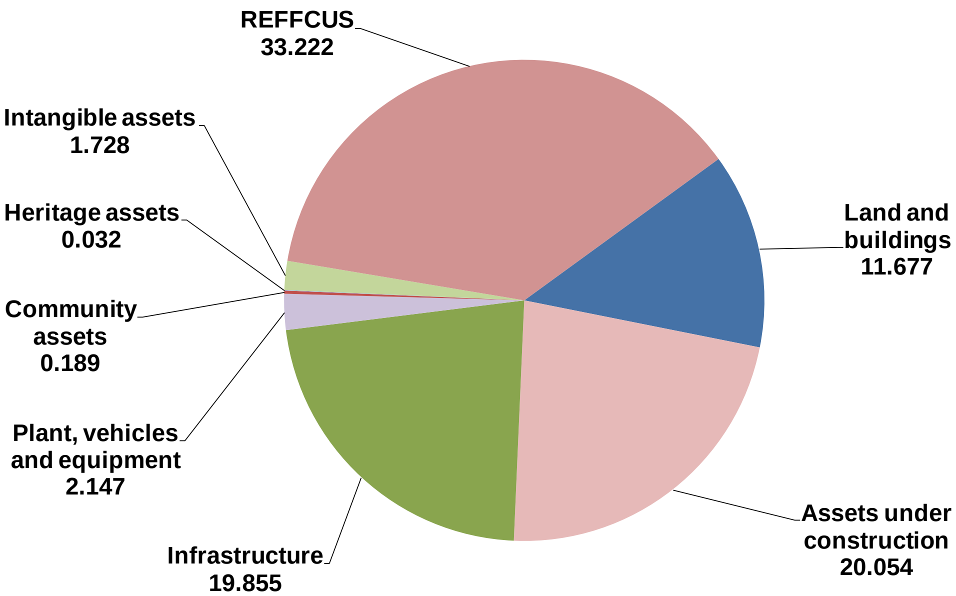
The following graph shows how the council's total expenditure within the CIES (page 29) is split between services. The category 'Other' includes central services to the public (£7.089 million), corporate and democratic core (£5.616 million), expenditure on trading undertakings (£11.320 million) and non distributed costs (£14.830 million).



The council has had to operate within an unstable and volatile national and local economy. 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

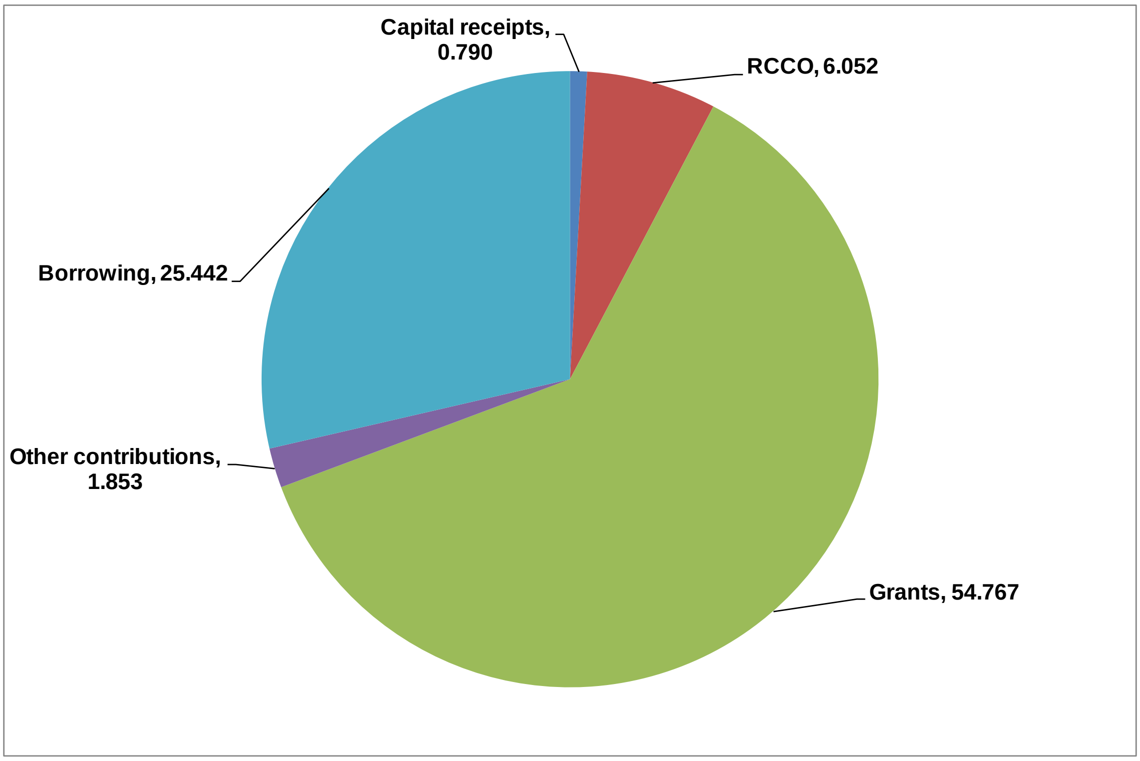
Capital expenditure in 2015/16 amounted to £88.904 million. This expenditure was funded by grants and contributions (£56.620 million), borrowing (£25.442 million) and other council resources (£6.842 million). The breakdown of capital expenditure (note 30, page 87) is shown below.



Capital expenditure for 2015/16 (figures in £m).
REFFCUS = Revenue Expenditure Funded From Capital Under Statute

The major areas of capital expenditure were £11.677 million on land and buildings, £19.855 million on infrastructure including roads maintenance and road and junction improvements at Darlaston Strategic Development Area, £20.054 million on assets under construction including the construction of two new leisure centres at Bloxwich and Oak Park and £33.222 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. An example is grants made to owner occupiers of private houses to carry out improvements to enhance energy efficiency and capital expenditure to voluntary aided schools in the borough. Additionally during 2015/16 the council received approximately £30 million of Growth Deal grant 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.

The capital expenditure for 2015/16 was funded by the following sources:



Sources of funding for 2015/16 (figures in £m).

The council has two Private Finance Initiative (PFI) schemes, one for the build and operation of St Thomas More School and another for the replacement and operation of the council's street lighting. The council has financial commitments (see note 32 on page 89) 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 2016 Walsall Council's balance sheet (page 32) shows a negative net worth of £119.765 million. This is largely due to the government policy of academy conversion of local authority schools. Since 2008 the council has seen a total of 30 schools convert to academy with a combined balance sheet asset value of £264.873 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. This means that for each academy conversion the council's balance sheet is further reduced.

The council's liquidity ratio, that is a measure by how much the council can cover its current liabilities by its current assets, is 1.76 (down from 2.44 in 2014/15). The council can cover its long-term borrowing by its long-term assets by 2.28 (up from 2.10 in 2014/15). These ratios indicate that whilst the balance sheet is negative the council is more than able to meet both its short term liabilities and its borrowing requirements. These accounts are accordingly prepared on a going concern basis.

The balance sheet for the year has seen in a increase of £21.881 million in total net assets from a negative £141.646 million to negative £119.765 million. However the majority of this change is due to a decrease in the net pension liability of £46.937 million. Excluding the total net pension liability of £480.576 million (£527.513 million in 2014/15) the council shows a net asset balance of £360.811 million. This combined with the above ratios for liquidity and assets over liabilities demonstrate a sound financial position.

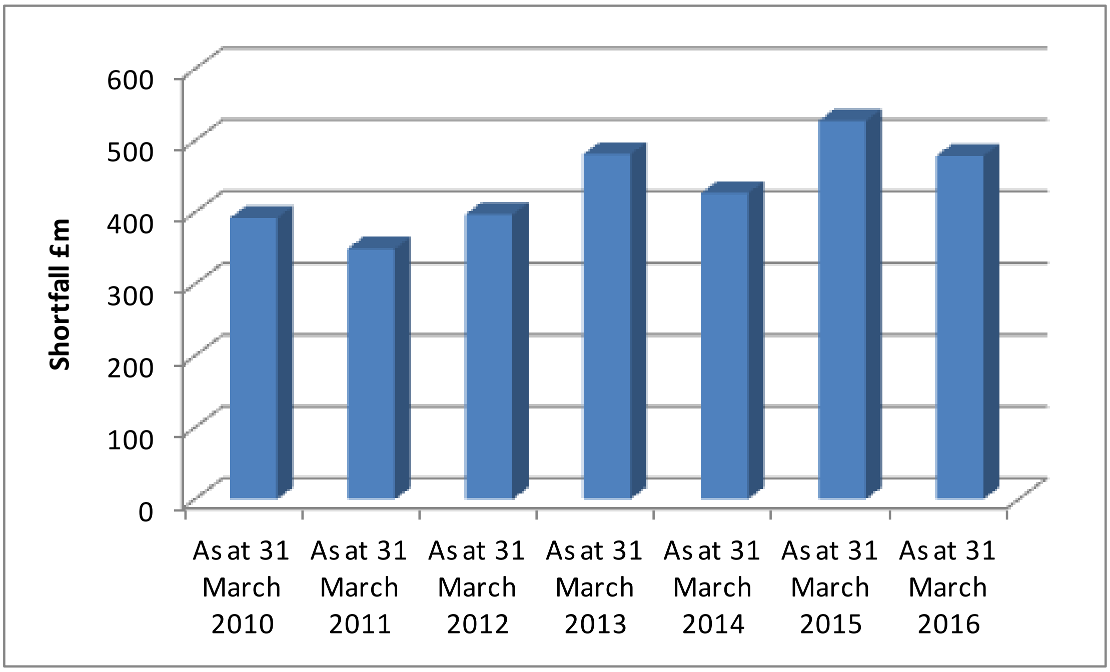
Material and unusual changes to non-current assets

During 2015/16 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 24 page 82.

Pensions

Walsall Council participates in the West Midlands Metropolitan Authorities Pension Fund which is administered by Wolverhampton City Council. During 2015/16 the pension fund changed actuaries from Mercer Ltd to Barnett Waddingham LLP.

As at 31 March 2016 there is an actuary calculated shortfall for Walsall Council of £480.576 million (£527.513 million at 31 March 2015) 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 seven 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 2013/14 based on conditions at 31 March 2013. This was carried out by the scheme's previous actuary, Mercer Ltd. This revaluation reviewed the current condition of the fund and its ability to meet current and future pension obligations. The revaluation determined the contribution rates based on a requirement to bring the fund to a breakeven position over the following 22 years from 31 March 2013.

Treasury management

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

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

The council ended 2015/16 with short term investments of £112.187 million (£118.289 million 2014/15). Use of these investments was required to cash flow those capital projects currently underway where completion is due beyond 31 March 2016.

The target investment rate receivable by the council for 2015/16 was 1.10% however as at 31 March 2016 the actual rate was 1.08%. When compared to current market conditions this rate shows the council continues to maximise investment income. In cash terms this means the council received £2.209 million (£1.844 million in 2014/15) of investment income. This is in addition to £4.802 million (£0.816 million in 2014/15) of dividend income from shares held in Birmingham Airport.

At 31 March 2016 the council's external long term borrowing was £233.379 million (£254.034 million as at 31 March 2015). During 2015/16 the council repaid £20 million of long term debt in line with the treasury management strategy. The interest costs associated with this debt represent 5.4% of the net budget requirement for the year, at an average interest rate of 4.60% compared to the target interest rate for the year of 4.60%.

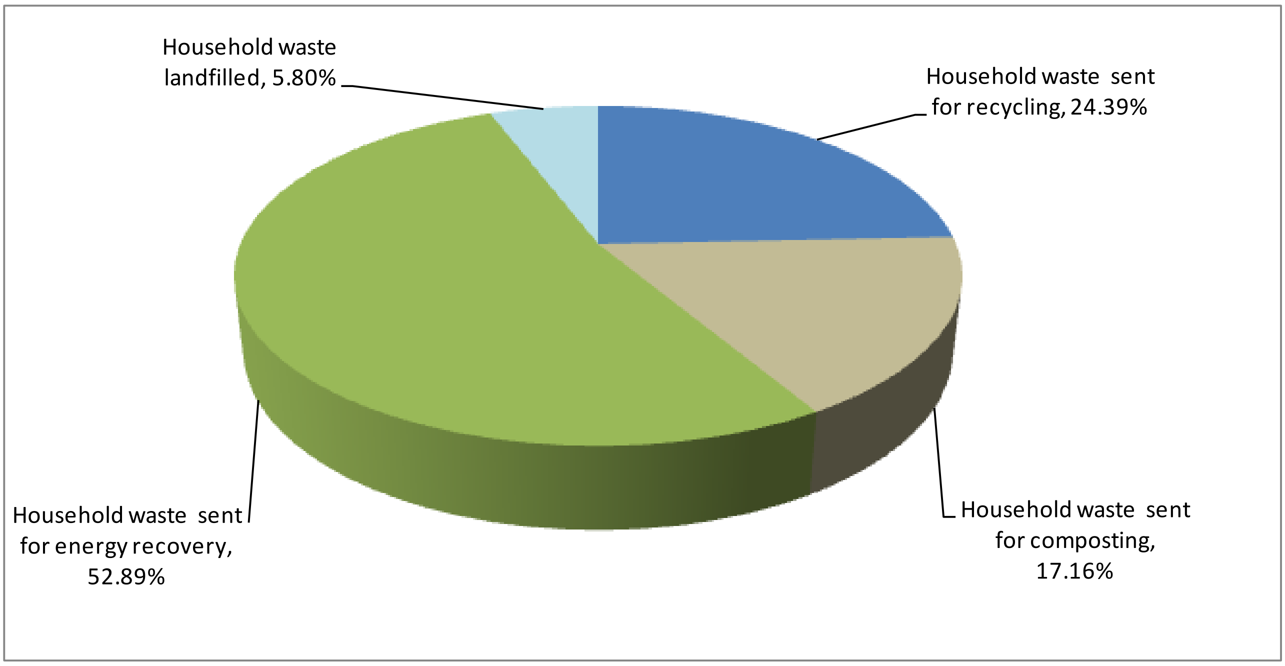
This year the council changed the way it calculates the amount of money it sets aside for the repayment of debt. This more prudent approach will increase stability into the budget planning process and make the payments more consistent. A detailed explanation of the change is provided in note 3 page 50.

Environmental

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

The combined recycling and composting rate for Walsall remains steady at around 42%. During 2015/16 53% of the council's waste was sent to an energy recovery waste plant to generate electricity, up from 48% last year, with only 5.8% of waste going to landfill. The council will during 2016/17 begin new disposal and recycling contracts including extra materials such as carpets and mattresses going for recycling or to create refuse derived fuel, historically these materials would have gone to landfill.

The following chart shows waste collected during 2015/16:



Carbon Reduction Commitment (CRC) - the Government proposes by 2019 to end the current mandatory scheme, which was aimed at improving energy efficiency and cutting emissions in large public and private sector organisations. The replacement will be a new universal Climate Change Levy on business, resulting in a new tax on the council's energy costs which is expected to be offset by an annual saving on CRC allowances.

Walsall Council is actively engaged in carbon reduction initiatives through its road resurfacing programme, in the last year Walsall used over 6,000 tonnes of warm asphalt which resulted in a carbon saving of 1.8 tonnes. Using the Interdepartmental Group for Cost & Benefits (IGCB) calculator the saving in terms of damage to the environment is estimated to be in the region of £86,000 per year. Additionally the council has installed solar panels at the Civic Centre, and started the conversion to LED operation for both street lighting and traffic signals.

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

Air Quality - Walsall continues to undertake air quality reviews and assessments as part of its statutory functions, reporting to Central Government on an annual basis. In support of this, a network of continuously operating air quality monitoring stations are maintained throughout the year to determine likely exposure to nitrogen dioxide (a key strategic pollutant that impacts upon health and quality of life), concentrations of which exceed the UK National Air Quality Objective and EU Limit Value around main road corridors across the borough. The council has produced a borough-wide nitrogen dioxide concentration model in support of this, which serves to aid a range of internal and external work streams.

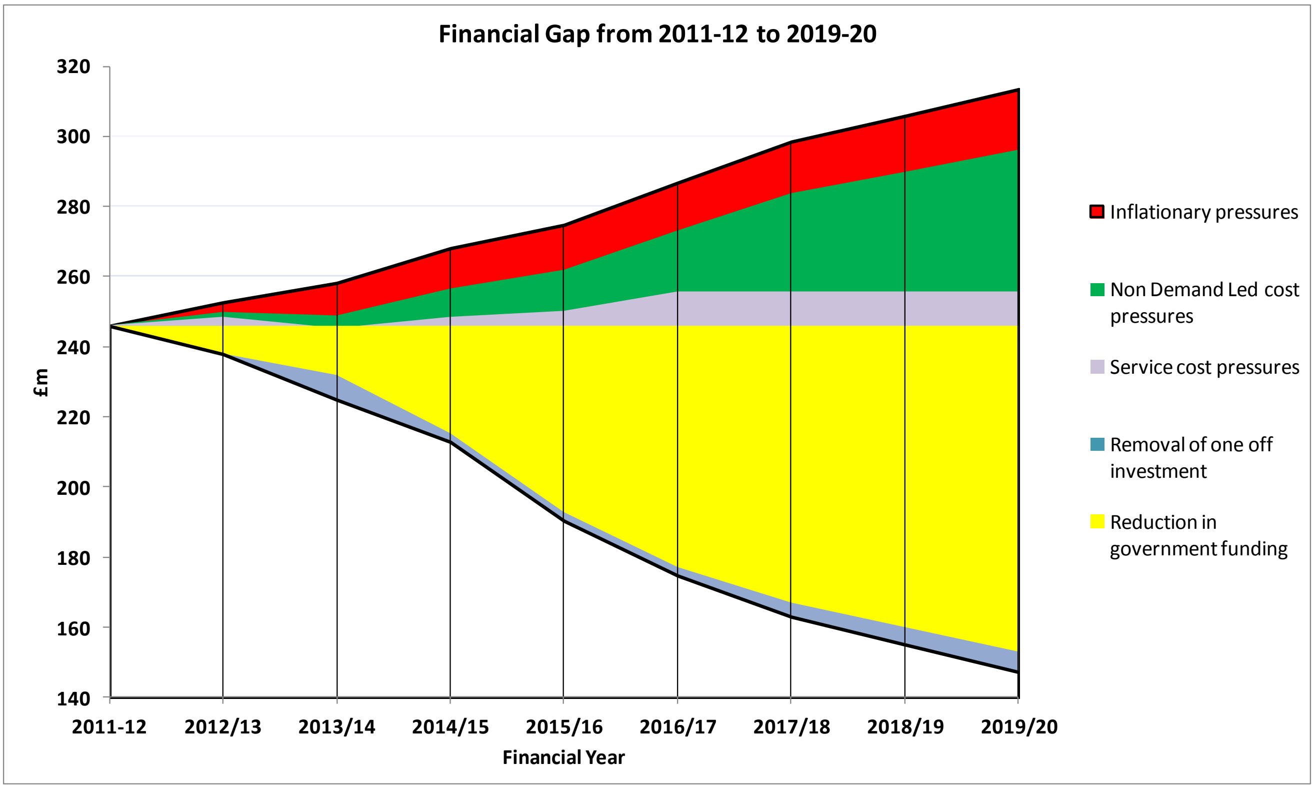
A new air quality initiative commenced at the end of 2015 involving a partnership working arrangement with Public Health. This centres on talking fine particulate matter ($PM_{2.5}$) which has adverse impacts on health. A programme of work scheduled to last at least three years has been supported by the Public Health Transformation Fund. This has to date seen the deployment of four monitoring stations in order to provide real-world data. This will serve to verify and refine a base concentration model. This will then inform a health impact analysis encompassing statistics such as those related to respiratory illness, hospital admissions, cardio-vascular disease/illness, prevalence of asthma and the need for intervention as part of Public Health Outcomes Framework.

Walsall continues to work collaboratively with Black Country and other West Midlands local authorities as a member of the West Midlands Low Emissions Towns and Cities Programme which has produced a range of initiatives to improve strategic air quality. 2016/17 will see the production of a Vehicles Low Emissions Strategy which will amongst other things tackle the nitrogen dioxide issue mentioned earlier.

Economic climate and its impact on Walsall Council Going Forward

The council, as with all local authorities, is experiencing significant financial challenges. Over the last five years to 2016/17, the council has reduced its spending by approximately £100 million but will need to save a further £86 million over the next four years to be able to balance the budget by 2020/21.

The graph below illustrates the projected widening gap in finances, as a combination of reducing funding and increasing costs. It is clear that funding for key priorities will be significantly diminished and the council will not be able to sustain services at the current level.



Like all other public sector bodies, Walsall has seen government grant funding reduce since the Emergency Budget of 2010 when the Government set out its initial plans to reduce the overall Government deficit, quoting a 28% reduction in funding to local authorities. This has continued following government Spending Reviews in 2010 and 2013, a one year spending round in June 2013 setting out spending plans for 2015/16, and will continue beyond 2016/17 as published in the Spending Review on 25 November 2015. To 2016/17, reductions have totalled in the region of 45% with further reductions expected by 2020.

The Medium Term Financial Outlook (MTFO)

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

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

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

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

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

<u>2016/17 Revenue Budget Headlines</u>

The revenue budget is constructed in accordance with the council’s MTFO, 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 £100.99 million.
- 3.99% increase in council tax including social care precept, equivalent to a band D council tax of £1,495.71 (excluding precepts) and £1,663.29 (including precepts).
- Investment of £13.08 million for Adult Social Care - just under £9 million covering ongoing pressures and a further £4 million to cover estimated uplifts in care package costs.
- Investment of £6.5 million for Children’s Services cost pressures primarily to cover looked after children, contact services, special educational needs, special guardianship orders and social worker agency costs.
- Provision for inflationary pressures outside of Adult and Children services of £0.83 million.
- Provision for other known budget pressures, including cost pressures and reduced levels of income or grant, of £6.20 million.
- Savings of £25.11 million, supported by new investment required to deliver these savings of £1.39 million
- 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. £13.53 million.

The Secretary of State for Communities and Local Government in relation to the financial year beginning in 2016 made an offer to adult social care authorities. The offer is the option of an adult social care authority being able to charge a ‘precept’ of up to 2% on its council tax for the financial year beginning in 2016 without holding a referendum. For the 2016/17 revenue budget this amounts to an increase in income of £1.943 million or £28.77 per band D equivalent property.

Summary of the 2016/17 Capital Programme

The council has an asset portfolio of around £533 million. 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 2016/17 capital programme totals £72.33 million and is presented in two parts:

- Mainstream council funded programme (£11.85 million) - funded through borrowing and capital receipts. Of this £0.75 million is identified for council wide schemes, funding to support essential works including health and safety and other projects that cannot be guaranteed at the start of the year.
- Non-mainstream programme (£60.48 million) - funded from capital grants

Reporting requirements for the 2015/16 accounts

The reporting requirements for the 2015/16 accounts remain broadly the same as those for the 2014/15 accounts with the exception of:

The accounting policies for property, plant and equipment, investment properties, assets held for sale and financial instruments have been updated for the introduction of the new accounting standard IFRS13 – Fair Value Measurement. This accounting standard introduced the concept and definition of current value for the measurement of property, plant and equipment. This concept requires that local authorities measure the service potential and the operating capacity used to deliver local authority goods and services inherent in the assets. This means that the measurement requirement for operational property, plant and equipment have not changed from those in the 2014/15 Code. However, the Code requires that non-operational property, plant and equipment classified as surplus assets are measured at fair value.

Further information can be found within the accounting policies, page 38.

Reporting requirements for the 2016/17 accounts and beyond

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

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

From 2016/17 the authority will be required to account for Highway Network Assets differently. These assets cover all assets involved in providing a highway system within Walsall that are the council's responsibility. Trunk roads and motorways are excluded as they are the responsibility of the Highways Agency. In addition no unadopted roads are covered by this, again not being the responsibility of the council but of private owners. The types of assets covered include assets such as carriageways, footpaths, bridges, traffic signals and road signs.

CIPFA introduced the Transport Infrastructure Code of Practice in 2010 at the request of central government. This was to ensure that all highways bodies reported this class of assets in a consistent manner for the Whole of Government Accounts (WGA).

Currently local authorities include transport infrastructure assets at depreciated historic cost within their accounts. This means that they are recorded at initial cost and are then depreciated over their original useful economic life. A result of this is that the value of these assets shown within the accounts does not reflect the true value of highways assets at the current date, as spend ends up being fully depreciated and no revaluation of these assets is required.

From 2016/17 the local authority Code of Practice will require all local authorities to account for any highway system assets in line with the Transport Infrastructure Assets Code of Practice. The primary change this will introduce is that the assets will need to be measured on a current cost basis rather than historic cost.

Explanation of the statements

Core financial statements:

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

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

Balance sheet
The balance sheet shows the value of the assets and liabilities recognised by the council as at 31 March 2015. The net assets of the council (assets less liabilities) are matched by the reserves (usable and unusable as shown in the MIRS) held by the council. Assets such as buildings and vehicles are used by the council to deliver its services.

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

Notes to the accounts:

Accounting policies
This section explains the main accounting policies the council has used to produce the figures in the accounts. The general principles are those recommended by CIPFA and these are applied consistently.

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

Additional financial statements:

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

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

Statement of responsibilities

The council's responsibilities

The council is required to:

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

The Chief Financial Officer's responsibilities

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

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

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

The Chief Financial Officer has also:

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

Certification by the Chief Financial Officer

I, the Chief Financial Officer of Walsall Metropolitan Borough Council, certify that this statement of accounts gives a true and fair view of the financial position of the authority at the reporting date and of its expenditure and income for the year ended 31 March 2016. Please note that these draft statement of accounts are unaudited and that the statement of accounts as published may be subject to change.

James T. Walsh B.Hum (Hons) ACMA CGMA
Chief Financial Officer
15 June 2016

Approval of Statement of Accounts

The statement of accounts was approved by the Walsall Council Audit Committee.

Mr F Bell
Chair of the Audit Committee
Date

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

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

Respective responsibilities of the Chief Financial Officer and auditor

Scope of the audit of the financial statements

Opinion on financial statements

Subject to Audit

Opinion on other matters

Matters on which we report by exception

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

Respective responsibilities of the Authority and the auditor

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

Conclusion

Certificate

.

Core financial statements

Comprehensive income and expenditure statement

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

2014/15 Restated				2015/16		
Gross expenditure £m	**Gross income £m**	**Net expenditure £m**		**Gross expenditure £m**	**Gross income £m**	**Net expenditure £m**
			Continuing operations			
100.220	(28.177)	72.043	Adult social care	111.607	(43.852)	67.755
5.922	(2.167)	3.755	Central services to the public	7.089	(1.962)	5.127
238.278	(179.286)	58.992	Education & children's services	244.309	(183.799)	60.510
6.491	(0.494)	5.997	Corporate & democratic core	5.616	(0.720)	4.896
0.232	0.000	0.232	Court services	0.215	0.000	0.215
16.900	(4.932)	11.968	Cultural and related services	20.144	(3.675)	16.469
25.879	(8.429)	17.450	Environmental and regulatory services	25.932	(8.374)	17.558
17.837	(0.780)	17.057	Public Health	17.329	(0.319)	17.010
12.601	(4.052)	8.549	Planning services	40.426	(33.543)	6.883
22.655	(4.055)	18.600	Highways & transport services	23.070	(4.126)	18.944
128.191	(120.878)	7.313	Housing services	132.648	(127.279)	5.369
16.254	(0.001)	16.253	Non-distributed costs	14.830	(0.001)	14.829
591.460	**(353.251)**	**238.209**	**Total net cost of services**	**643.215**	**(407.650)**	**235.565**
22.941	(10.583)	12.358	Other operating expenditure (Note 6)	49.529	(9.372)	40.157
30.579	(2.865)	27.714	Financing and investment income and expenditure (Note 7)	37.613	(7.041)	30.572
0.000	(295.112)	(295.112)	Taxation and non-specific grant income (Note 8)	0.000	(276.232)	(276.232)
644.980	**(661.811)**	**(16.831)**	**(Surplus) or deficit on provision of services**	**730.357**	**(700.295)**	**30.062**
		(7.432)	(Surplus) or deficit arising on revaluation of non-current assets (Note 42)			(0.084)
		0.323	Impairment losses or (reversals) on non-current assets charged to the revaluation reserve (Note 42)			3.130
		0.661	(Surplus) or deficit arising on revaluation of available for sale financial assets (Note 42)			0.000
		90.744	Remeasurements of the defined benefit liability (Note 42)			(54.989)
		67.465	**Total comprehensive income and expenditure**			**(21.881)**

The prior year comparatives have been updated to enable direct comparison between 2014/15 and 2015/16 in accordance with IAS8 – Accounting Policies, Changes in Accounting Estimates and Errors.

Movement in reserves statement

This statement shows the movement in the year on the different reserves held by the council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (surplus) or deficit on the provision of services line shows the true economic cost of providing the council’s services, more details of which are shown in the CIES (page 29). These are different from the statutory amounts required to be charged to the general fund balance for council tax setting purposes. The net increase/decrease before transfers to earmarked reserves line shows the statutory general fund balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

2015/16 actuals

	General fund balance £m	Earmarked general fund balances £m	Capital grants unapplied account £m	Capital receipts reserve £m	Total usable reserves £m	Total unusable reserves £m	Total reserves of the authority £m
Balance at 31/03/15 carried forward	**(11.514)**	**(145.166)**	**(22.972)**	**(7.171)**	**(186.823)**	**328.469**	**141.646**
(Surplus) or deficit on provision of services (accounting basis)	30.062	0.000	0.000	0.000	**30.062**	0.000	**30.062**
Other comprehensive income and expenditure	0.000	0.000	0.000	0.000	**0.000**	(51.943)	**(51.943)**
Total comprehensive income and expenditure	**30.062**	**0.000**	**0.000**	**0.000**	**30.062**	**(51.943)**	**(21.881)**
Adjustments between accounting basis & funding basis under regulations (Note 21)	(17.834)	0.000	2.017	(0.951)	**(16.768)**	16.768	**0.000**
Net (increase) / decrease before transfers to earmarked reserves	**12.228**	**0.000**	**2.017**	**(0.951)**	**13.294**	**(35.175)**	**(21.881)**
Transfers to/from earmarked reserves (Note 41)	(14.845)	14.845	0.000	0.000	**0.000**	0.000	**0.000**
(Increase) / decrease in year	**(2.617)**	**14.845**	**2.017**	**(0.951)**	**13.294**	**(35.175)**	**(21.881)**
Balance at 31/03/16 carried forward	**(14.131)**	**(130.321)**	**(20.955)**	**(8.122)**	**(173.529)**	**293.294**	**119.765**

2014/15 comparatives

	General fund balance £m	Earmarked general fund balances £m	Capital grants unapplied account £m	Capital receipts reserve £m	Total usable reserves £m	Total unusable reserves £m	Total reserves of the authority £m
Balance at 31/03/14 carried forward (restated)	**(14.865)**	**(132.561)**	**(18.338)**	**(5.652)**	**(171.416)**	**245.597**	**74.181**
(Surplus) or deficit on provision of services (accounting basis)	(16.831)	0.000	0.000	0.000	**(16.831)**	0.000	**(16.831)**
Other comprehensive income and expenditure	0.000	0.000	0.000	0.000	**0.000**	84.296	**84.296**
Total comprehensive income and expenditure	**(16.831)**	**0.000**	**0.000**	**0.000**	**(16.831)**	**84.296**	**67.465**
Adjustments between accounting basis & funding basis under regulations (Note 21)	7.577	0.000	(4.634)	(1.519)	**1.424**	(1.424)	**0.000**
Net (increase) / decrease before transfers to earmarked reserves	**(9.254)**	**0.000**	**(4.634)**	**(1.519)**	**(15.407)**	**82.872**	**67.465**
Transfers to/from earmarked reserves (Note 41)	12.605	(12.605)	0.000	0.000	**0.000**	0.000	**0.000**
(Increase) / decrease in year	**3.351**	**(12.605)**	**(4.634)**	**(1.519)**	**(15.407)**	**82.872**	**67.465**
Balance at 31/03/15 carried forward	**(11.514)**	**(145.166)**	**(22.972)**	**(7.171)**	**(186.823)**	**328.469**	**141.646**

The prior year comparatives have been updated to enable direct comparison between 2014/15 and 2015/16 in accordance with IAS8 – Accounting Policies, Changes in Accounting Estimates and Errors.

Balance sheet

The balance sheet shows the value of the assets and liabilities recognised by the council as at 31 March 2016. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories: usable and unusable. Usable reserves are those reserves the council may use to provide services, subject to the need to maintain a prudent level of general reserves and any statutory limitations on their use (e.g. the capital receipts reserve may only be used to fund capital expenditure or repay debt). Unusable reserves are those the council is unable to use to provide services. These include reserves that hold unrealised gains and losses (e.g. revaluation reserve), where amounts would only become available if the assets are sold; and reserves that hold timing differences shown in the movement in reserves statement line 'Adjustments between accounting basis and funding basis under regulations' (Note 21, page 74).

2014/15 £m		**Note**	**2015/16 £m**
467.737	Property, plant and equipment	23	464.836
19.607	Heritage assets	25&26	19.503
1.771	Investment property	27	8.640
1.074	Intangible assets	28	1.773
34.342	Long term investments	34	29.254
9.183	Long term debtors	34	8.649
533.714	**Long term assets**		**532.655**
118.289	Short term investments	34	112.187
6.827	Assets held for sale	29	4.667
1.082	Inventories	36	0.976
49.500	Short term debtors	37	36.826
18.229	Cash and cash equivalents	38	4.804
193.927	**Current assets**		**159.460**
(0.287)	Short term borrowing	34	(9.355)
(69.535)	Short term creditors	39	(70.604)
(9.528)	Provisions	40	(10.345)
(79.350)	**Current liabilities**		**(90.304)**
(0.982)	Provisions	40	(0.934)
(254.034)	Long term borrowing	34	(233.379)
(534.921)	Other long term liabilities	34	(487.263)
(789.937)	**Long term liabilities**		**(721.576)**
(141.646)	**Net assets**		**(119.765)**
(186.823)	Usable reserves	41	(173.529)
328.469	Unusable reserves	42	293.294
141.646	**Total reserves**		**119.765**

The prior year comparatives have been updated to enable direct comparison between 2014/15 and 2015/16 in accordance with IAS8 – Accounting Policies, Changes in Accounting Estimates and Errors.

The unaudited accounts were issued on 15 June 2016 and the audited accounts were authorised for issue on XX September 2016.

Signed: Date: 15 June 2016

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

Cash flow statement

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

2014/15 £m		2015/16 £m
(16.831)	Net (surplus) or deficit on the provision of services	30.062
(34.998)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 43)	(58.381)
(100.350)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 44)	(121.086)
(152.179)	**Net cash (inflows)/outflows from operating activities**	**(149.405)**
158.346	Investing activities (Note 46)	150.079
2.054	Financing activities (Note 47)	12.751
8.221	**Net (increase) or decrease in cash and cash equivalents**	**13.425**
(26.450)	Cash and cash equivalents at the beginning of the reporting period	(18.229)
(18.229)	**Cash and cash equivalents at the end of the reporting period (Note 38)**	**(4.804)**

Notes to the accounts

1. Significant accounting policies

General principles

The statement of accounts summarises the council's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. 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) and the Service Reporting Code of Practice (SERCOP) 2015/16, supported by International Financial Reporting Standards (IFRS).

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

Accruals of expenditure and income

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

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

Cash and cash equivalents

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

Prior period adjustments, changes in accounting policies and estimation errors

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

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

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

Charges to revenue for non-current assets

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

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

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

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

Employee benefits

Benefits payable during employment

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

Termination benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the general fund balance to be charged with the amount payable by the council to the pension fund or individual in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits, and replace them with debits for the cash paid to the pension fund and individuals and any such amounts payable but unpaid at the year-end.

Post employment benefits

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

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

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

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

Local government pension scheme

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

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

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

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

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

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

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

- Re-measurements comprising:
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the pensions reserve as other comprehensive income and expenditure
  - Remeasurement gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the pensions reserve as other comprehensive income and expenditure

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

In relation to retirement benefits, statutory provisions require the general fund balance to be charged with the amount payable by the council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, this means that there are transfers to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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

Events after the balance sheet date
These are events that have occurred between the end of the financial year, 31 March 2016, and the date the financial accounts are authorised for issue. Two types of event can be identified:

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

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

Fair value measurement

The authority 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 authority 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 authority 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 authority 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 authority'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 authority can access at the measurement date

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

Level 3 – unobservable inputs for the asset or liability.

Financial instruments

Financial assets

Financial assets are classified into two types:

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

Loans and receivables

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

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

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

Available-for-sale assets

Available-for-sale assets recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the CIES for interest receivable are based on the amortised cost of the asset multiplied by the effective interest rate for the instrument. Where there are no fixed or determinable payments, income (i.e. dividends) is credited to the CIES when it becomes receivable by the council.

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

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

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

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

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

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

Financial liabilities

Financial liabilities are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual charges to the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount present in the balance sheet is the outstanding principal repayable and interest charged to the surplus or deficit on provision of services is the amount payable for the year in the loan agreement.

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

Where premiums and discounts have been charged to the surplus or deficit on provision of services, regulations allow the impact on the general fund balance to be spread over future years. The council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was paid. For discounts receivable, statute limits this to a maximum of 10 years. The reconciliation of amounts charged to the CIES to the net charge required against the general fund balance is managed by a transfer to or from the financial instruments adjustment account in the movement in reserves statement.

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

Government/non-government grants and contributions

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

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

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

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

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

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

Impairment of non-current assets

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

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

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

Intangible assets

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

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

- Technical feasibility of completing the asset so that it is available for use or sale
- Intention to use the asset

- Ability to use or sell the asset
- The asset will generate future economic benefits or service potential
- Availability of resources to complete the asset
- Ability to measure reliably the expenditure attributable to developing the asset

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

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

Joint Operations

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

Interests in Companies and Other Entities

An assessment of the council's interests has been carried out during the year in accordance with the Code 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, the majority of which are not material and thus the production of group accounts are not required for these interests.

The main council interest relates to Walsall Adult and Community College (WACC). Whilst this interest is considered not to be material the council considers that it would be useful for the reader of the accounts to highlight details of key balances within the council's related parties disclosure rather than producing group accounts.

Inventories

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

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

Investment properties

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

Investment properties are initially measured at cost, except where acquired through a non-exchange transaction which measured at fair value. The measurement of cost for this purpose consists of, where appropriate:

- Purchase price
- Transaction costs
- Directly attributable expenditure

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

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Leases

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

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

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

The council as lessee

Operating leases

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

The council as lessor

Operating leases

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

Non-current assets held for sale

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

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

Overheads

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

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

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

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

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

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

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

- fair value of the services received during the year – debited to the relevant service in the CIES
- finance cost – an interest charge of x% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out

Property, plant and equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis. This is provided that it is probable that future economic benefits or service potential will flow to the council, and that the cost or fair value of the expenditure can be measured reliably.

Any expenditure that does not meet this criteria i.e. it maintains the asset’s potential to deliver future economic benefits and service potential (day to day servicing/repairs and maintenance), is charged to revenue as it is incurred.

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

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

Measurement

Property, plant and equipment are initially measured at cost, except donated assets which are measured at fair value. The measurement of cost for this purpose consists of, where appropriate:

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

Where it is a donated asset the measurement of the asset at fair value does not constitute a revaluation and is not recognised as such.

After recognition property, plant and equipment assets are carried on the balance sheet using the following measurement bases:

- Infrastructure – depreciated historic cost
- Community assets – historical cost
- Assets under construction – historical cost
- All other operational property, vehicles, plant and equipment – current value
- Surplus assets – fair value

Where there is not any market-based evidence for current value available, due to the specialist nature of the building (e.g. schools) the council has used depreciated replacement cost (DRC) to approximate current value.

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

Assets included in the balance sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains.

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

Depreciation

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

Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the life of the property as estimated by the valuer (usually 10 to 80 years)
- Car Parks – straight line allocation over the life of the property as estimated by the valuer (usually 40 to 50 years)
- Infrastructure – straight line allocation over 25 to 35 years
- Vehicles, plant and equipment – straight line allocation over the life of the property as estimated by the valuer (usually 5 to 10 years)

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

Disposals

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

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

Heritage assets

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

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

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

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

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

Acquisitions are made by purchase or donation in line with the gallery's acquisition policy available at www.thenewartgallerywalsall.org.uk/collections-and-library. Acquisitions are initially recognised at cost and donations are recognised at insurance valuation.

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

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

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

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

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

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

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

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

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

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

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

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see accounting policy for property, plant and equipment).

Provisions, contingent assets and liabilities

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

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

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

Recognition of the provision is made in the year that the council becomes aware of the obligation and is based on the best estimate of the likely settlement. This is charged to the surplus or deficit on provision of services for the relevant service.

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

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

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

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

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

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

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

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

Revenue expenditure funded from capital under statute
Capital expenditure incurred during the year but not resulting in the creation of a non-current asset for the council is classified as revenue expenditure funded from capital under statute. Expenditure that can be classified as this is defined within the Local Government Act 2003 and associated capital financing regulations. This includes: grants paid to other persons (such as housing renovation grants and disabled facility grants) and bodies for capital expenditure purposes; and amounts (including provisions for equal pay claim reviews) that the Secretary of State has given direction should be capitalised.

The council writes out the entire expenditure to the CIES in the year it is incurred. To ensure that no impact is passed on to council taxpayers, this expenditure is then reversed out through the movement in reserves statement by a transfer to the capital adjustment account on the balance sheet.

Value Added Tax (VAT)

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

Accounting for schools

The accounting treatment of land and buildings for each type of school is based on the legal framework and others tests in line with accounting standards to determine the underlying relationship to the council of each type of school. Further information can be found on page 51.

Based on these tests the council has identified the following classification of schools shown below with the determined accounting treatment for land and buildings.

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

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

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

Individual schools' balances at 31 March 2016 are included in the balance sheet of the council as any unspent delegated schools budgets remain the property of the council.

PFI Schemes

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

2. Accounting standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2016. These changes are incorporated into new or amended standards issued by the International Accounting Standards Board, however they will not form part of the Code until 2016/17. However, these changes, once adopted, are not considered to have a significant impact on the statement of accounts as demonstrated below.

IAS 1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements and will result in changes to the format of the CIES, the Movement in Reserves Statement and will introduce a new Expenditure and Funding analysis. These changes are as a result of the “Telling the Story” review of the presentation of the local authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative.

Other minor changes due to Annual Improvement to IFRS cycles, IFRS11 Joint arrangements, IAS 16 Property Plant, Equipment and IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the council's Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

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

When preparing the financial statements for 2015/16, management identified a non-material error relating to the financial position as at 31 March 2015. This affected the cash, debtors and creditors opening balances, but has been corrected during 2015/16 and not as a prior period adjustment.

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

The critical judgements made in the statement of accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The council determined that there was no group relationship with Birmingham Airport Holdings Ltd. The basis for this conclusion was that the council had insufficient voting power to affect any decision changes, had no material transactions and did not provide essential technical information. The investments are classified as available for sale financial assets as a recent valuation is available.
- In determining which leases were finance leases an assessment was made against all recognition criteria especially where the lease period was greater than 75% of the asset's expected life, or where the value of discounted minimum lease payments is close to 90% of the asset value. Where a lease met at least two of the criteria it was usually classified as a finance lease.
- To decide whether to apply componentisation for property, plant and equipment, each identified component was assessed to determine whether it had a significantly different life to other components within the same asset. It was also assessed to determine if the component was a significant element of the asset. Only if it is deemed that it would make a material difference to the financial statements would it then be recorded as a component.
- For assets where it is difficult to establish a market value, for instance because they are specialist in nature or are rarely sold, the council utilises a depreciated replacement cost (DRC) based on utilising the latest established 'Average Building Prices' information obtained from the Building Cost Information Service (BCIS) website as its baseline data, and applies an inflation rate, obtained from the quarterly BCIS 'General Cost Indices', to reflect change in prices.
- As part of its annual review of treasury management policies, the council's Minimum Revenue Provision (MRP) policy was reviewed to ensure it was prudent for Walsall Council. The result of the review was that a revised calculation of the Capital Financing Requirement (CFR) highlighted a discrepancy of £4.243m. This amount has been released from the Capital Adjustment Account (CAA) during 2015/16 back into the CIES.
- Additionally the MRP policy for pre 2008 debt and supported borrowing approved during 2014/15 was changed during 2015/16 following agreement of full council, to ensure that the set aside of funds for the repayment of debt is at a maximum of 50 years.

The previous policy for pre 2008 debt and supported borrowing was:

For any capital expenditure carried out prior to 31 March 2008 or financed by supported borrowing capital expenditure, the authority will be charging MRP at 2% of the balance at 31 March 2013 fixed at the same cash value so that the whole debt is repaid after 50 years.

This has been updated to:

For any capital expenditure carried out prior to 31 March 2008 or financed by supported borrowing capital expenditure, the authority will be charging MRP at 2% of the balance at 1 April 2008 fixed at the same cash value so that the whole debt is repaid after 50 years.

<u>Accounting for Schools – Consolidation</u>

- 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.

<u>Accounting for Schools – Balance Sheet Recognition of Schools</u>

- The council recognises the land and buildings used by schools in line with the provisions of the Code. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The council recognises the schools land and buildings on its balance sheet where it directly owns the assets, the school or school governing body own the assets or rights to use the assets have been transferred from another entity.
- Where the land and building assets used by the school are owned by an entity other than the council, school or school governing body then it is not included on the council's balance sheet. The exception is where the entity has transferred the rights of use of the asset to the council, school or school governing body.
- The council has completed a school by school assessment across the different types of schools it controls within the borough. Judgements have been made to determine the arrangements in place and the accounting treatment of the land and building assets.
- All community schools are owned by the council and the land and buildings used by the schools are included on the council's balance sheet.
- Legal ownership of voluntary controlled school land and buildings usually rests with a charity, normally a religious body. However the council receives capital funding for these assets and the school land and building are included on the balance sheet.
- Foundation 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.

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

The statement of accounts contains estimated figures that are based on assumptions made by the council about the future, or are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the council's balance sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Provisions – note 40	The council has made a provision of £4.496m for the settlement of claims for back pay arising from Equal Pay, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the council or at what level these may or may not be settled.	An increase/decrease over the forthcoming year of 10% of the estimated average settlement would have the effect of increasing or decreasing by £0.449 million the provision needed.
Pensions Liability – note 16	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 64. However, the assumptions interact in complex ways. During 2013/14, the council's actuaries carried out a full actuarial valuation. The assumptions used in 2015/16 resulted in no measured differences to the estimated valuation.
Arrears – note 37	At 31 March 2016, the council had a sundry debtor balance of £6.424m. A review of significant balances suggested that a net impairment of doubtful debts of 18.43% (£1.184m) was appropriate. However, in the current economic climate it is not certain that such an allowance will be sufficient.	If collection rates were to deteriorate, a 5% change in collection rates for the impairment of doubtful debts would increase or decrease by £0.321 million the amount to set aside as an allowance respectively.

5. Related parties

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

Central Government

Central Government has effective control over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 20 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2016 are shown in note 19.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in note 11. During 2015/16, no significant works and services were commissioned from companies in which members had declared an interest. In addition, the council paid grants totalling £2.753 million to voluntary organisations including some where members had positions on the governing body. The grants were made with proper consideration of declarations of interest. The register of members' interest is open to public inspection at the Civic Centre during office hours or can be viewed on the council's website.

Officers

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

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

The council has a pooled budget arrangement with Walsall NHS CCG for an integrated health and social care service for adults with learning difficulties, and an integrated community equipment service and Better Care Fund (BCF). Transactions and balances outstanding are detailed in note 10.

Entities controlled or significantly influenced by the council

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

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

For the period 1 August 2015 to 31 March 2016 WACC received income of £2.727m and incurred expenses of £2.757m resulting in a loss of £0.020m. As at 31 March 2016 WACC had net assets of £1.593m.

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

6. Other operating expenditure

The following table provides further information for other operating expenditure shown in the CIES on page 29.

2014/15 £m		2015/16 £m
13.673	Levies	12.924
0.110	(Surplus) or deficit on trading undertakings not included in net cost of services	1.948
0.006	Payments to the capital housing receipts pool	0.007
(1.431)	(Gains) and losses on the disposal of fixed assets	25.278
12.358	**Total**	**40.157**

Losses on disposal of fixed assets during 2015/16 was primarily due to a number of schools transferring to academy status whereby the value of the school is written out of the councils accounts.

7. Financing and investment income and expenditure

The following table provides further information for financing and investment income and expenditure shown in the CIES on page 29.

2014/15 £m		2015/16 £m
12.663	Interest payable and similar charges	21.009
18.065	Net interest on the net defined benefit liability (Note 16)	16.574
(1.844)	Interest income	(2.209)
(0.354)	Income, expenditure and changes in fair value of investment properties	0.000
(0.816)	Other investment income (Note 34)	(4.802)
27.714	**Total**	**30.572**

The council repaid a long term loan early during 2015/16 in line with the treasury management strategy and incurred a premium charge as a result. This amount is included within interest payable and similar charges.

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

8. Taxation and non specific grant income

The following table provides further information for taxation on non specific grant incomes shown in the CIES on page 29.

2014/15 £m		2015/16 £m
(88.052)	Council tax income	(96.246)
(62.682)	NDR distribution	(64.452)
(24.332)	All capital grants and contributions (Note 19)	(23.369)
(120.046)	Non-ringfenced government grants (Note 19)	(92.165)
(295.112)	**Total**	**(276.232)**

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

Further information on council tax and NDR can be found on page 113.

9. Material items of income and expense

Walsall Council has previously made a provision for costs associated with equal pay claims and its associated costs. The review of that provision has seen a charge to net costs of services of £0.086 million in 2015/16 (£0.424 million during 2014/15). The provision for 2015/16 is £4.496 million (£4.454 million 2014/15). Further information can be found on page 101.

During 2015/16 two schools converted to academy status with a further school converting on 1 April 2016 which has been accounted for as a post balance sheet event. £22.110m of school assets have therefore been derecognised from the council's balance sheet, in line with accounting standards and this is shown within gain/losses on disposals.

10. Pooled budgets / Better Care Fund

Walsall Council has entered into a pooled budget arrangement 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 needs of the client, but 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.

Better Care Fund	Capital £m	ICES £m	Revenue Other £m	2015/16 Total £m
Funding provided to the pooled budget				
By Walsall Council	(2.429)	0.000	0.000	(2.429)
By Walsall NHS CCG	0.000	(1.436)	(20.112)	(21.548)
	(2.429)	**(1.436)**	**(20.112)**	**(23.977)**
Expenditure met from the pooled budget				
By Walsall Council	1.986	1.394	10.558	13.938
By Walsall NHS CCG	0.000	0.000	9.651	9.651
	1.986	**1.394**	**20.209**	**23.589**
Net (surplus) / deficit on the pooled budget during the year	**(0.443)**	**(0.042)**	**0.097**	**(0.388)**
Carry forwards into 2016/17	**0.443**	**0.017**	**0.000**	**0.460**
Net (surplus) / deficit on the pooled budget during the year (after carry forwards)	**0.000**	**(0.025)**	**0.097**	**0.072**
Agreed risk share on the pooled budget during the year				
By Walsall Council				0.000
By Walsall NHS CCG				0.072
				0.072

Prior to 2015/16 the council, in association with Walsall NHS CCG, has established both an integrated health and social care service for adults with learning disabilities, and an Integrated Community Equipment Service with pooled fund arrangements. The agreement for the integrated health and social care service for adults with learning disabilities sets out that the council contributes 72.10% and Walsall NHS CCG 27.90% to the fund. The agreement for the integrated community equipment service sets out that the council contributes 59% and Walsall NHS CCG

41% to the fund. These same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each year.

The following tables whilst not directly comparable to the Better Care Fund as it is in its first year of operation for 2015/16 are included here as comparatives.

2014/15 Total £m	Pooled fund memorandum account – integrated health & social care for adults with learning disabilities	2015/16 Total £m
	Expenditure	
0.635	Integrated team	1.092
14.724	Community support	16.285
2.288	Day care	2.377
9.892	Residential & Nursing	7.809
0.844	Supported employment	0.691
2.171	Management & administration	1.086
3.139	NHS Provider Contract	3.001
33.693		**32.341**
	Gross funding	
(8.864)	NHS Walsall	(8.918)
(23.762)	Walsall Council	(22.683)
(32.626)		**(31.601)**
1.067	**Net over/(under) spend**	**0.740**
	Allocation of over/(under) spend	
0.298	NHS Walsall	0.206
0.769	Walsall Council	0.534
1.067		**0.740**

2014/15 Total £m	Pooled fund memorandum account – integrated community equipment service	2015/16 Total £m
	Expenditure	
0.312	Staffing costs	0.326
0.086	Premises/facilities/transport	0.098
1.027	Equipment – Walsall Council	0.970
1.425		**1.394**
	Gross funding	
(0.601)	NHS Walsall	(0.608)
(0.824)	Walsall Council	(0.828)
(1.425)		**(1.436)**
0.000	**Net over/(under) spend**	**(0.042)**
	Allocation of over/(under) spend	
0.000	NHS Walsall	(0.018)
0.000	Walsall Council	(0.024)
0.000		**(0.042)**

The expenditure and funding for the Integrated Community Equipment Service pooled budget is contained within the Better Care Fund table on page 55.

11. Members allowances

The council paid £0.739 million of basic allowances (2014/15 £0.729 million) and £0.177 million of special responsibility payments (2014/15 £0.187 million) to members during the year.

12. Officers' remuneration

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

		Salary, fees and allowances £	Contractor Costs £	Expenses allowances £	Compensation for loss of office £	Pension contribution £	Total £
Chief Executive (Paul Sheehan)	2015/16	194,271	0	2,356	0	0	**196,627**
	2014/15	194,271	0	2,011	0	0	**196,282**
Executive Director - Change and Governance	2015/16	99,003	0	2,402	58,603	13,192	**173,200**
	2014/15	117,186	0	2,737	0	15,830	**135,753**
Executive Director 1 - Children's Services	2015/16	0	0	0	0	0	**0**
	2014/15	0	83,277	0	0	0	**83,277**
Executive Director 2 - Children's Services	2015/16	117,186	0	4,611	0	16,277	**138,074**
	2014/15	68,359	0	1,698	0	9,023	**79,080**
Executive Director 1 - Social Care	2015/16	0	0	0	0	0	**0**
	2014/15	12,163	0	0	0	1,606	**13,769**
Executive Director 2 - Social Care	2015/16	0	157,434	0	0	0	**157,434**
	2014/15	0	192,729	0	0	0	**192,729**
Executive Director - Neighbourhood Services	2015/16	69,727		5,246	65,547	1,319	**141,839**
	2014/15	117,186	0	2,765	0	15,830	**135,781**
Executive Director - Regeneration Services / Economy & Environment	2015/16	117,186	0	2,954	0	15,830	**135,970**
	2014/15	117,186	0	6,737	0	15,830	**139,753**
Assistant Director - Finance - Section 151 officer	2015/16	94,075	0	35	0	12,418	**106,528**
	2014/15	92,691	0	26	0	12,235	**104,952**
Head of Legal and Democratic Services - Monitoring Officer	2015/16	94,075	0	41	0	14,693	**108,809**
	2014/15	104,171	0	7	0	13,751	**117,929**
Director of Public Health 1	2015/16	0	0	0	0	0	**0**
	2014/15	35,238	0	0	0	4,651	**39,889**
Director of Public Health 2	2015/16	102,621	0	1,239	0	14,658	**118,518**
	2014/15	53,859	0	723	0	7,641	**62,223**
Director of Public Health 3	2015/16	0	0	0	0	0	**0**
	2014/15	46,719	0	723	0	6,642	**54,084**

Executive Director – Change and Governance left the authority on 31.01.2016. This position is currently vacant.

Please note there is only one post of Executive Director Children's Services, however due to changes this post was occupied by 1 individual during the 2015/16 financial year and 2 individuals for the 2014/15 financial year:

Executive Director 1 Children's Services covered the period 01.04.2014 to 29.09.2014 – The costs shown are the full fees paid to the interim management agency, not a payment to the individual.

Executive Director 2 Children's Services covered the period 01.09.2014 to 31.03.2016.

Please note there is only one post of Executive Director Social Care, however this post was occupied by 1 individual during the 2015/16 financial year and 2 individuals during the 2014/15 financial year:

Executive Director 1 Social Care covered the period to 25.03.2014 – the payment in 2014/15 relates to owed holiday pay and a net pay adjustment.

Executive Director 2 Social Care covered the period 01.04.2014 to 31.03.2016 - held by an interim manager contracted for through an interim management agency. The costs shown are the full fees paid to the interim management agency, not a payment to the individual.

The post holder for Executive Director - Neighbourhood Services left the authority on 30th April 2015. The post was then deleted and its responsibilities were distributed amongst the remaining Executive Directors.

Following the decision to delete the post of Executive Director Neighbourhood Services, the role of Executive Director Regeneration was expanded and renamed Executive Director Economy and Environment. The existing Executive Director Regeneration took over the new role from 14th April 2015.

Please note there is only one post of Director of Public Health, however due to changes this post was occupied by 3 individuals during the 2014/15 financial year and 1 individual in 2015/16:

Director of Public Health 1 covered the period 01.04.2014 to 31.07.2014.

Director of Public Health 2 was appointed to the post permanently and covered the post for the period 02.03.2015 to 31.03.2016.

Director of Public Health 3 jointly with Director of Public Health 2 covered this post on an interim basis for the period 08.09.2014 to 01.03.2015.

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

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

Remuneration band	2014/15 comparative post numbers			
	Council officers	Teachers - community / VC schools	Teachers - foundation / VA schools	Total
£50,000 - £54,999	48	39	7	**94**
£55,000 - £59,999	13	26	9	**48**
£60,000 - £64,999	11	20	11	**42**
£65,000 - £69,999	4	11	2	**17**
£70,000 - £74,999	19	6	2	**27**
£75,000 - £79,999	1	2	0	**3**
£80,000 - £84,999	0	2	0	**2**
£85,000 - £89,999	4	0	0	**4**
£90,000 - £94,999	1	1	0	**2**
£95,000 - £99,999	0	0	1	**1**
£105,000 - £109,999	0	0	1	**1**
Total	**101**	**107**	**33**	**241**

13. Exit packages

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

Exit Package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed			Total number of exit packages by cost band		Total cost of exit packages in each band	
£	2014/15	2015/16	2014/15	2015/16		2014/15	2015/16	2014/15 £m	2015/16 £m
0 - 20,000	66	57	140	192		206	249	1.127	1.693
20,001 - 40,000	7	5	28	39		35	44	1.041	1.230
40,001 - 60,000	1	1	9	15		10	16	0.487	0.797
60,001 - 80,000	1	1	4	8		5	9	0.343	0.613
80,001 - 100,000	0	0	1	4		1	4	0.091	0.349
100,001 - 150,000	1	2	1	3		2	5	0.207	0.585
150,000 - 200,000	0	0	0	3		0	3	0.000	0.521
250,000 - 300,000	0	0	0	1		0	1	0.000	0.261
Total	**76**	**66**	**183**	**265**		**259**	**331**	**3.296**	**6.049**

14. Termination benefits

The council terminated the contracts of a number of employees in 2015/16, incurring liabilities of £5.515 million (£2.972 million in 2014/15), 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.

15. 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 2015/16, the council paid £8.142 million to Teachers’ Pensions in respect of teachers’ retirement benefits, representing 14.1% for the period April – August 2015 and 16.48% for the period September 2015 to March 2016 of pensionable pay. The figures for 2014/15 were £7.484 million and 14.1%. There were no contributions remaining payable at the year-end.

The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers’ scheme. These costs are accounted for on a defined benefit basis and detailed in note 16.

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

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department of Health uses a notional fund as the basis for calculating the employers' contribution rate paid by employers. The council is not able to identify its share of 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 2015/16, the council paid £0.103 million to NHS Pensions in respect of Public Health Staff retirement benefits, representing 14.3% of pensionable pay. The figures for 2014/15 were £0.108 million and 14.0%.

16. 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 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.

2014/15				2015/16		
Local Government Pension Scheme		**Unfunded teachers**		**Local Government Pension Scheme**		**Unfunded teachers**
Funded £m	**Unfunded £m**	**£m**		**Funded £m**	**Unfunded £m**	**£m**
			<u>Comprehensive income and expenditure statement</u>			
			<u>Cost of service:</u>			
21.056	0.000	0.000	Current service cost	25.674	0.000	0.000
0.004	0.000	0.000	Past service costs	1.732	0.000	0.000
2.406	0.000	0.000	(Gain)/Loss from settlements	(2.140)	0.000	0.000
			<u>Financing and investment income and expenditure:</u>			
16.039	1.335	0.691	Net interest expense (inc. Admin expenses)	15.023	1.035	0.516
39.505	**1.335**	**0.691**	**Total post employment benefit charged to the surplus or deficit on the provision of services**	**40.289**	**1.035**	**0.516**
			<u>Other post employment benefit charged to the comprehensive income and expenditure statement</u>			
(58.889)	0.000	0.000	Return on plan assets (excluding the amount included in the net interest expense)	21.696	0.000	0.000
145.530	2.899	1.205	Remeasurement (gains) and losses arising on changes in financial assumptions	(75.403)	(2.171)	0.890
126.146	**4.234**	**1.896**	**Total post employment benefit charged to the comprehensive income and expenditure statement**	**(13.418)**	**(1.136)**	**1.406**
			<u>Movement in reserves statement</u>			
(11.592)	0.894	0.651	Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	(10.026)	1.170	0.804
			Actual amount charged against the general fund balance for pensions in the year:			
27.913			Employers' contributions payable to scheme	30.263		
	2.229	1.342	Retirement benefits payable to pensioners		2.205	1.320

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

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

Assets and liabilities in relation to post employment benefits

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

2014/15 £m		2015/16 £m
(1,143.885)	Present value of defined benefit obligation	(1,093.004)
616.372	Fair value of plan assets	612.428
(527.513)	**Net pension liability arising from defined benefit obligation**	**(480.576)**

Reconciliation of fair value of the scheme assets

Local Government Pension Scheme 2014/15 £m		Local Government Pension Scheme 2015/16 £m
532.936	Opening balance at 1 April	616.372
23.786	Interest on assets	19.691
58.889	Return on assets less interest	(21.696)
(0.311)	Administration expenses	(0.264)
0.000	Settlement prices received / (paid)	(0.600)
30.142	Employer contributions	32.468
6.678	Member contributions	6.581
(35.748)	Estimated benefits paid net of transfers in	(40.124)
616.372	**Closing balance at 31 March**	**612.428**

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

2014/15				2015/16		
Local Government Pension Scheme		Unfunded teachers		Local Government Pension Scheme		Unfunded teachers
Funded £m	Unfunded £m	£m		Funded £m	Unfunded £m	£m
(911.472)	(31.440)	(16.745)	Opening balance at 1 April	(1,093.141)	(33.445)	(17.299)
(21.056)	0.000	0.000	Current service cost	(25.674)	0.000	0.000
(39.514)	(1.335)	(0.691)	Interest cost	(34.450)	(1.035)	(0.516)
(6.678)	0.000	0.000	Member contributions	(6.580)	0.000	0.000
			Remeasurements (liabilities)			
(145.530)	(2.899)	(1.205)	Gain/(Loss) on financial assumptions	75.403	2.171	(0.890)
0.000	0.000	0.000	Gain/(Loss) on demographic assumptions	0.000	0.000	0.000
0.000	0.000	0.000	Experience gain/(Loss)	0.000	0.000	0.000
33.519	2.229	1.342	Estimated benefits paid net of transfers in	37.919	2.205	1.320
(2.410)	0.000	0.000	Past service costs including Curtailments	(1.732)	0.000	0.000
0.000	0.000	0.000	Settlements	0.000	0.000	0.000
0.000	0.000	0.000	(Liabilities assumed) / extinguished on settlements	2.740	0.000	0.000
(1,093.141)	**(33.445)**	**(17.299)**	**Closing balance at 31 March**	**(1,045.515)**	**(30.104)**	**(17.385)**

Basis for estimating assets and liabilities

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

Both the local government pension scheme and discretionary benefit liabilities have been estimated by Barnett Waddingham LLP, an independent actuary firm with estimates being based on the latest full valuation of the scheme as at 31 March 2013 carried out by the scheme's former actuary Mercer Ltd.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Teachers Pension Scheme	
	Funded and Unfunded		Unfunded	
	2014/15	2015/16	2014/15	2015/16
Mortality assumptions:				
Longevity retiring today				
- Men	23.0	23.0	23.0	23.0
- Women	25.6	25.7	25.6	25.7
Longevity retiring in 20 years				
- Men	25.20	25.30	n/a	n/a
- Women	28.00	28.00	n/a	n/a
Rate of inflation (CPI)	2.00%	2.00%	2.00%	2.00%
Rate of increase in salaries	3.75%	3.75%	n/a	n/a
Rate of increase in pensions	2.00%	2.00%	2.00%	2.00%
Rate for discounting scheme liabilities	3.20%	3.60%	3.10%	2.50%

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 and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity analysis - Local Government Pension Scheme	**£m**	**£m**	**£m**
Adjustment to discount rate	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	1,057.101	1,075.619	1,094.480
Projected service cost	23.139	23.544	23.957
Adjustment to 1% p.a. Short term salary increase		**no change**	**further 4 years**
Present value of total obligation		1,075.619	1,057.499
Projected service cost		23.544	23.544
Adjustment to pension increases and deferred revaluations	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	1,092.416	1,075.619	1,059.125
Projected service cost	23.963	23.544	23.132
Adjustment to life expectancy assumptions	**+1 Year**	**None**	**-1 Year**
Present value of total obligation	1,108.751	1,075.619	1,043.508
Projected service cost	24.145	23.544	22.958

Sensitivity analysis - Unfunded Teachers	**£m**	**£m**	**£m**
Adjustment to discount rate	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	17.233	17.385	17.538
Projected service cost	n/a	n/a	n/a
Adjustment to 1% p.a. Short term salary increase		**no change**	**further 4 years**
Present value of total obligation		n/a	n/a
Projected service cost		n/a	n/a
Adjustment to pension increases and deferred revaluations	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	17.539	17.385	17.232
Projected service cost	n/a	n/a	n/a
Adjustment to life expectancy assumptions	**+1 Year**	**None**	**-1 Year**
Present value of total obligation	18.023	17.385	16.769
Projected service cost	n/a	n/a	n/a

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

	2014/15		2015/16	
	£m	%	£m	%
Equities	364.091	59.1%	370.656	60.5%
Government bonds	48.509	7.9%	47.721	7.8%
Other bonds	65.582	10.6%	28.519	4.7%
Property	53.810	8.7%	50.504	8.2%
Cash/liquidity	25.209	4.1%	27.973	4.6%
Other	59.171	9.6%	87.055	14.2%
Total	**616.372**	**100.0%**	**612.428**	**100.0%**

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 21 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2016. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority expects to pay £28.916m in contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 18 years, 2015/16 (18 years 2014/15).

17. External audit costs

The council incurred costs of £0.143m (£0.172m 2014/15) for fees related to external audit services, £0.014m (£0.019m 2014/15) for fees incurred for the certification of grant claims and returns, and nil during 2015/16 (2014/15 £0.004m) for other services provided. These services were carried out by Ernst & Young LLP the council's appointed auditor in 2015/16. In 2014/15 they were carried out by Grant Thornton, the council's previous auditors.

18. 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 2015/16 which has been deployed in accordance with the Schools Standard and Framework Act (1998 14) are shown in the following table.

2014/15			Dedicated Schools Grant (DSG)	2015/16		
Central Expenditure £m	**ISB £m**	**Total £m**		**Central Expenditure £m**	**ISB £m**	**Total £m**
(4.949)	(223.549)	(228.498)	Final DSG for year before Academy recoupment	(9.367)	(224.818)	(234.185)
0.000	83.407	83.407	Academy figure recouped	0.000	89.326	89.326
(4.949)	**(140.142)**	**(145.091)**	**Total DSG after Academy recoupment**	**(9.367)**	**(135.492)**	**(144.859)**
(7.815)	1.969	(5.846)	Plus brought forward from previous year	0.000	(8.493)	(8.493)
(12.764)	**(138.173)**	**(150.937)**	**Agreed initial budgeted distribution in year**	**(9.367)**	**(143.985)**	**(153.352)**
0.000	(0.187)	(0.187)	In Year adjustments	0.000	0.000	0.000
(12.764)	**(138.360)**	**(151.124)**	**Agreed final budgeted distribution in year**	**(9.367)**	**(143.985)**	**(153.352)**
4.010	0.000	4.010	Less actual central expenditure	5.578	0.000	5.578
0.000	138.621	138.621	Less actual ISB deployed to schools	0.000	138.251	138.251
(8.754)	**0.261**	**(8.493)**	**Carry forward to next year**	**(3.789)**	**(5.734)**	**(9.523)**

19. Grant income

The council credited the following grants, contributions and donations to the CIES in 2015/16:

2014/15 £m	Revenue grants	2015/16 £m
	Credited to taxation and non specific grant income	
(80.340)	Revenue support grant	(58.978)
(1.083)	Troubled Families Grant	(0.705)
(1.595)	Street Lighting PFI grant	(1.595)
(4.038)	Education Services Grant	(3.250)
(1.131)	Council Tax Freeze Grant	0.000
(4.068)	New Homes Bonus	(5.238)
(2.406)	Small Business Rates Relief	(2.962)
(0.294)	New Burdens Funding	(1.785)
(1.099)	Walsall Crisis Support Grant	0.000
(7.271)	Adult Personal Social Services	(0.446)
(15.827)	Public Health Grant	(16.943)
(32.524)	NDR Top Up	(33.145)
(0.894)	Other	(0.263)
(152.570)	**Total**	**(125.310)**
	Credited to services	
(0.881)	Arts Council Funding - National Portfolio Funding	(0.881)
(4.473)	Skills funding agency - Walsall Adult and Community College (WACC)	(1.291)
(2.550)	Housing benefits administration subsidy grant	(1.671)
(114.291)	Housing benefits rent allowances grant	(118.411)
(0.662)	Housing benefit non Housing Revenue Account (HRA) rebates	(0.722)
(0.737)	Discretionary Housing Payments	(0.688)
(145.091)	Dedicated Schools Grant	(144.859)
0.000	Independent Living Fund	(0.703)
(4.505)	Education Funding Agency (EFA) sixth form funding grant	(4.482)
(1.522)	Universal Infant Free Schools Meals	(2.530)
(0.538)	Youth Justice Service	(0.434)
(11.754)	Pupil Premium	(11.607)
(0.773)	St Thomas More PFI Grant	(0.773)
0.000	Better Care Fund	(21.548)
(17.623)	Section75 CCG Agreement	(13.525)
(0.503)	LEP Funding	(0.500)
(0.548)	Electoral services grants	(0.332)
(0.741)	PCC crime and community grants	(0.302)
(0.681)	EFA PE & sports grants	(0.694)
(1.881)	Other	(1.543)
(309.754)	**Total**	**(327.496)**
(462.324)	**Total Revenue Grants**	**(452.701)**

Non ringfenced government grants of £92.165m (note 8) do not include NDR Top Up included within the £125.310 m total above. NDR Top Up is included in NDR Distribution (note 8).

Due to changes in the funding of local authorities Revenue Support Grant has reduced by approximately £21 million.

Grant funding from the Skills funding Agency for Walsall Adult and Community College (WACC) reduced from £4.473m in 2014/15 to £1.671m in 2015/16 as a result of WACC no longer being a service of the council post 1 August 2015. As such only income for the period April to July was receipted by the council.

In accordance with its grant conditions Walsall Council has fully utilised the Arts Council grants received by it in 2015/16.

2014/15 £m	Capital grants	2015/16 £m
	Credited to taxation and non specific grant income	
(0.544)	Devolved Formula Capital	(1.901)
(3.966)	Department for Education	(5.984)
(11.172)	Darlaston SDA	(4.742)
(0.101)	Housing specific	(0.522)
(3.247)	Local transport plan	(1.548)
(0.637)	Department for Transport grants	(3.840)
(0.784)	Department for Health	(0.047)
(0.141)	s106 contributions	0.012
(1.755)	Donated art works	0.000
(0.240)	Arts Council England grant	0.000
0.000	Active Living	(0.651)
0.000	Department for Energy and Climate Change grant	(0.650)
0.000	Growth Deal	(2.036)
(1.745)	Other	(1.460)
(24.332)	**Total**	**(23.369)**
	Credited to services	
(0.027)	Devolved Formula Capital	(0.022)
(0.134)	Lottery	(0.354)
(0.729)	Department for Education	(0.157)
0.000	Growth Deal	(27.914)
(1.390)	Disabled Facility Grants	(1.632)
(0.129)	Private Sector Renovation Grants	(0.986)
(0.218)	Other	(0.169)
(2.627)	**Total**	**(31.234)**
(26.959)	**Total capital grants**	**(54.606)**

20. Amounts reported for resource allocation decisions

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

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

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

Service income and expenditure as reported to management

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

Service income and expenditure 2015/16	Centrally held budgets £m	Childrens £m	Economy & Environment £m	Change & Governance £m	Social Care & Inclusion £m	Total £m
Income						
Fees, charges and other service income	(53.313)	(18.135)	(24.883)	(39.776)	(23.405)	(159.512)
Government grants	(67.223)	(166.778)	(48.566)	(125.378)	(22.752)	(430.697)
Total Income	**(120.536)**	**(184.913)**	**(73.449)**	**(165.154)**	**(46.157)**	**(590.209)**
Expenditure						
Employee expenses	10.766	137.598	31.673	37.037	17.612	234.686
Other Service Expenses	69.811	100.692	85.526	144.546	89.884	490.459
Support Services Recharges	0.000	8.165	10.278	10.739	3.881	33.063
Total Expenditure	**80.577**	**246.455**	**127.477**	**192.322**	**111.377**	**758.208**
Transfer to/(from) reserves	(4.501)	0.000	0.000	0.000	0.000	(4.501)
Net expenditure	**(44.460)**	**61.542**	**54.028**	**27.168**	**65.220**	**163.498**

Service income and expenditure 2014/15 comparative figures	Centrally held budgets £m	Childrens £m	Neighbourhood Services £m	Regeneration £m	Resources £m	Social Care & Inclusion £m	Total £m
Income							
Fees, charges and other service income	(3.546)	(22.101)	(25.142)	(19.790)	(29.637)	(29.978)	(130.194)
Government grants	(88.333)	(165.377)	(24.206)	0.000	(120.393)	(7.361)	(405.670)
Total Income	**(91.879)**	**(187.478)**	**(49.348)**	**(19.790)**	**(150.030)**	**(37.339)**	**(535.864)**
Expenditure							
Employee expenses	7.157	135.597	37.169	12.743	30.879	20.892	244.437
Other Service Expenses	16.877	108.345	61.756	15.030	130.765	80.925	413.698
Support Services Recharges	0.000	4.892	4.221	2.898	6.580	2.836	21.427
Total Expenditure	**24.034**	**248.834**	**103.146**	**30.671**	**168.224**	**104.653**	**679.562**
Transfer to/(from) reserves	9.177	0.000	0.000	0.000	0.000	0.000	9.177
Net expenditure	**(58.668)**	**61.356**	**53.798**	**10.881**	**18.194**	**67.314**	**152.875**

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

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

2014/15 £m		2015/16 £m
152.875	Costs of services in service analysis	163.498
1.207	Amendments to accounts following management reporting	0.944
(24.720)	Remove amounts reported to management but not included in the comprehensive income and expenditure statement	74.268
94.789	Included below net cost of services in the comprehensive income and expenditure statement	2.524
14.058	Allocation of recharges	(5.669)
238.209	**Net cost of services in comprehensive income and expenditure statement**	**235.565**

Reconciliation to subjective analysis

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

2015/16	Service Analysis £m	Amendments to accounts following management reporting £m	Not included in I&E £m	Included below Net Cost of Services in CIES £m	Allocation of recharges £m	Net cost of services £m	Corporate amounts £m	Total £m
Expenditure								
Employee services	234.686	13.923	(8.052)	(19.997)	0.000	220.560	20.432	240.992
Other service expenditure	391.551	(11.464)	35.986	(5.054)	0.000	411.019	(14.601)	396.418
Support service recharges	33.063	0.000	0.000	(4.241)	(39.121)	(10.299)	4.293	(6.006)
Depreciation/amortisation/ impairment	23.077	(0.073)	0.000	(1.069)	0.000	21.935	1.226	23.161
Interest payments	37.533	0.000	0.000	(37.533)	0.000	0.000	37.583	37.583
Precepts and levies	12.924	0.000	0.000	(12.924)	0.000	0.000	12.924	12.924
Payments to housing capital receipts pool	0.007	0.000	(0.007)	0.000	0.000	0.000	0.007	0.007
Gain or loss on disposal of fixed assets	25.367	0.147	0.000	(25.514)	0.000	0.000	25.278	25.278
Total expenditure	**758.208**	**2.533**	**27.927**	**(106.332)**	**(39.121)**	**643.215**	**87.142**	**730.357**
Income								
Fees, charges and service income	(153.444)	(1.589)	41.840	30.821	33.452	(48.920)	(9.402)	(58.322)
Interest and investment income	(6.068)	0.000	0.000	6.068	0.000	0.000	(7.011)	(7.011)
Income from Council Tax	0.000	0.000	0.000	0.000	0.000	0.000	(96.246)	(96.246)
Income from NDR	0.000	0.000	0.000	0.000	0.000	0.000	(64.452)	(64.452)
Government grants and contributions	(430.697)	0.000	0.000	71.967	0.000	(358.730)	(115.534)	(474.264)
Total income	**(590.209)**	**(1.589)**	**41.840**	**108.856**	**33.452**	**(407.650)**	**(292.645)**	**(700.295)**
Transfer to / (from) reserves	(4.501)	0.000	4.501	0.000	0.000	0.000	0.000	0.000
(Surplus) or deficit on the provision of services	**163.498**	**0.944**	**74.268**	**2.524**	**(5.669)**	**235.565**	**(205.503)**	**30.062**

2014/15 comparative figures	**Service Analysis £m**	**Amendments to accounts following management reporting £m**	**Not included in I&E £m**	**Included below Net Cost of Services in CIES £m**	**Allocation of recharges £m**	**Net cost of services £m**	**Corporate amounts £m**	**Total £m**
Expenditure								
Employee services	244.437	15.235	(13.497)	(7.599)	0.000	238.576	13.743	252.319
Other service expenditure	367.165	(12.358)	(4.403)	(1.281)	(23.812)	325.311	2.514	327.825
Support service recharges	21.427	0.000	0.000	(1.620)	(9.171)	10.636	(6.095)	4.541
Depreciation/amortisation/ impairment	3.562	(0.031)	13.759	(0.353)	0.000	16.937	0.382	17.319
Interest payments	30.729	0.000	0.000	(30.729)	0.000	0.000	30.728	30.728
Precepts and levies	13.673	0.000	0.000	(13.673)	0.000	0.000	13.673	13.673
Payments to housing capital receipts pool	0.000	0.000	0.000	0.000	0.000	0.000	0.006	0.006
Gain or loss on disposal of fixed assets	(1.431)	0.000	0.000	1.431	0.000	0.000	(1.431)	(1.431)
Total expenditure	**679.562**	**2.846**	**(4.141)**	**(53.824)**	**(32.983)**	**591.460**	**53.520**	**644.980**
Income								
Fees, charges and service income	(127.534)	(2.628)	13.081	8.970	47.041	(61.070)	(10.788)	(71.858)
Interest and investment income	(2.660)	0.000	0.000	2.660	0.000	0.000	(2.660)	(2.660)
Income from Council Tax	0.000	0.000	0.000	0.000	0.000	0.000	(88.052)	(88.052)
Income from NDR	0.000	0.000	0.000	0.000	0.000	0.000	(62.682)	(62.682)
Government grants and contributions	(405.670)	0.989	(24.483)	136.983	0.000	(292.181)	(144.378)	(436.559)
Total income	**(535.864)**	**(1.639)**	**(11.402)**	**148.613**	**47.041**	**(353.251)**	**(308.560)**	**(661.811)**
Transfer to / (from) reserves	9.177	0.000	(9.177)	0.000	0.000	0.000	0.000	0.000
(Surplus) or deficit on the provision of services	**152.875**	**1.207**	**(24.720)**	**94.789**	**14.058**	**238.209**	**(255.040)**	**(16.831)**

The prior year comparatives have been updated to enable direct comparison between 2014/15 and 2015/16 in accordance with IAS8 – Accounting Policies, Changes in Accounting Estimates and Errors.

21. Adjustments between accounting basis and funding basis under regulations

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

2015/16 Actuals

	Movement in general fund balance £m	Movement in capital grants unapplied account £m	Movement in capital receipts reserve £m	Movement in unusable reserves £m
Adjustments to revenue resources				
Pensions costs (transferred to/(from) the Pensions Reserve)	(8.052)	0.000	0.000	8.052
Financial instruments (transferred to the Financial Instruments Adjustments Account)	0.000	0.000	0.000	0.000
Council tax and NDR (transfers to/(from) Collection Fund)	2.042	0.000	0.000	(2.042)
Holiday Pay (transferred to the Accumulated Absences Reserve)	1.489	0.000	0.000	(1.489)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account and Revaluation Reserve)	(52.167)	0.000	0.000	52.167
	(56.688)	**0.000**	**0.000**	**56.688**
Adjustments between revenue and capital resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1.739	0.000	(1.739)	0.000
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(0.007)	0.000	0.007	0.000
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	7.701	0.000	0.000	(7.701)
Capital expenditure financed from revenue balances	6.051	0.000	0.000	(6.051)
	15.484	**0.000**	**(1.732)**	**(13.752)**
Adjustments to capital resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0.000	0.000	0.790	(0.790)
Application of capital grants to finance capital expenditure	23.370	2.017	0.000	(25.387)
Cash payments in relation to deferred capital receipts	0.000	0.000	(0.009)	0.009
Total adjustments to capital resources	**23.370**	**2.017**	**0.781**	**(26.168)**
Total adjustments	**(17.834)**	**2.017**	**(0.951)**	**16.768**

2014/15 Comparatives

	Movement in general fund balance £m	Movement in capital grants unapplied account £m	Movement in capital receipts reserve £m	Movement in unusable reserves £m
Adjustments to revenue resources				
Pensions costs (transferred to/(from) the Pensions Reserve)	(10.047)	0.000	0.000	10.047
Financial instruments (transferred to the Financial Instruments Adjustments Account)	0.068	0.000	0.000	(0.068)
Council tax and NDR (transfers to/(from) Collection Fund)	(2.469)	0.000	0.000	2.469
Holiday Pay (transferred to the Accumulated Absences Reserve)	(0.311)	0.000	0.000	0.311
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account and Revaluation Reserve)	(11.529)	0.000	0.000	23.557
Total adjustments to revenue resources	**(24.288)**	**0.000**	**0.000**	**36.316**
Adjustments between revenue and capital resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	4.135	0.000	(4.135)	0.000
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(0.006)	0.000	0.006	0.000
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	11.040	0.000	0.000	(11.040)
Capital expenditure financed from revenue balances	4.441	0.000	0.000	(4.441)
Total adjustments between revenue and capital resources	**19.610**	**0.000**	**(4.129)**	**(15.481)**
Adjustments to capital resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0.000	0.000	2.618	(2.618)
Application of capital grants to finance capital expenditure	12.255	(4.634)	0.000	(19.649)
Cash payments in relation to deferred capital receipts	0.000	0.000	(0.008)	0.008
Total adjustments to capital resources	**12.255**	**(4.634)**	**2.610**	**(22.259)**
Total adjustments	**7.577**	**(4.634)**	**(1.519)**	**(1.424)**

22. Events after the balance sheet date

The statement of accounts were authorised for issue by the Chief Financial Officer on XX September 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

<u>Academy School Transfers</u>

Lodge Farm Primary School became an academy on 1 April 2016. Given the transfer date and it being effective from midnight the school's carrying value of £13.111m has been de-recognised within the 2015/16 balance sheet and is included within the gains/losses on disposal within the CIES.

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

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

<u>Academy School Transfers</u>

Fibbersley Park Primary School is anticipated to become an academy school during 2016/17 but no date has yet been agreed. This school has a carrying value of £5.151m as at 31 March 2016 will be de-recognised from the council's balance sheet during 2016/17.

Elmwood School is anticipated to become an academy school during 2016/17 but no date has yet been agreed. This school has a carrying value of £3.842m as at 31 March 2016 will be de-recognised from the council's balance sheet during 2016/17.

Phoenix Primary EBD School is anticipated to become an academy school during 2016/17 but no date has yet been agreed. This school has a carrying value of £2.734m as at 31 March 2016 will be de-recognised from the council's balance sheet during 2016/17.

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.

23. Property, plant and equipment

Movement on balances

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

2015/16 actuals

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

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

Within other movements is the transfer to investment properties is the transfer of the Primark and Co-op developments which were completed and handed over to the new tenants in 2015/16.

2014/15 Comparatives

	Operational land £m	Operational buildings £m	Vehicles, plant and equipment £m	Infrastructure £m	Community assets £m	Surplus assets £m	Assets under construction £m	Total £m	PFI assets included in infrastructure £m
Cost									
As at 31 March 2014	127.788	229.106	27.829	151.510	4.355	7.102	6.379	**554.069**	18.096
Additions	0.424	12.123	1.976	10.948	3.530	0.740	6.461	**36.202**	0.000
Acc Depreciation & Impairment Written Out to Gross Carrying Value	(0.150)	(8.267)	0.000	0.000	0.000	(0.004)	0.000	**(8.421)**	0.000
Revaluation increases/ (decreases) recognised in the revaluation reserve	1.791	5.630	0.000	0.000	0.000	0.000	0.000	**7.421**	0.000
Revaluation increases/ (decreases) recognised in the surplus/ (deficit) on the provision of services	(0.128)	1.676	0.000	0.000	0.000	0.000	0.000	**1.548**	0.000
Derecognition - disposals	(0.084)	0.000	(1.274)	0.000	0.000	(0.041)	0.000	**(1.399)**	0.000
Assets reclassified (to)/ from held for sale	(0.160)	(0.065)	0.000	0.000	0.000	(0.537)	0.000	**(0.762)**	0.000
Assets reclassified (to)/from Investment Properties	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**	0.000
Other movements in cost of valuation	(0.666)	3.092	0.001	0.000	(1.853)	0.570	(1.261)	**(0.117)**	0.000
Total cost movements in 2014/15	**1.027**	**14.189**	**0.703**	**10.948**	**1.677**	**0.728**	**5.200**	**34.472**	**0.000**
As at 31 March 2015	**128.815**	**243.295**	**28.532**	**162.458**	**6.032**	**7.830**	**11.579**	**588.541**	**18.096**

	Operational land £m	Operational buildings £m	Vehicles, plant and equipment £m	Infrastructure £m	Community assets £m	Surplus assets £m	Assets under construction £m	Total £m	PFI assets included in infrastructure £m
Cost as at 31 March 2015	**128.815**	**243.295**	**28.532**	**162.458**	**6.032**	**7.830**	**11.579**	**588.541**	**18.096**
Depreciation									
As at 31 March 2014	(0.331)	(1.744)	(19.924)	(86.940)	(2.581)	(0.147)	(0.023)	**(111.690)**	(6.460)
Depreciation charge for the year	(0.124)	(8.120)	(2.844)	(5.326)	0.000	(0.016)	0.000	**(16.430)**	(0.604)
Acc Dep & Imp Written Out to Gross Carrying Value	0.150	8.267	0.000	0.000	0.000	0.004	0.000	**8.421**	0.000
Impairment losses / (reversals) recognised in the revaluation reserve	(0.028)	(0.226)	0.000	0.000	0.000	(0.069)	0.000	**(0.323)**	0.000
Impairment losses / (reversals) recognised in the surplus / (deficit) on the provision of services	(0.060)	(0.430)	(0.023)	(1.181)	(0.014)	(0.118)	(0.002)	**(1.828)**	0.000
Derecognition - disposals	0.000	0.000	1.015	0.000	0.000	0.000	0.000	**1.015**	0.000
Assets reclassified (to)/from Assets Held for Sale	0.002	0.000	0.000	0.000	0.000	0.028	0.000	**0.030**	0.000
Assets reclassified (to)/from Investment Properties	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**	0.000
Other movements	0.043	0.041	0.000	0.000	(0.044)	(0.002)	(0.037)	**0.001**	0.000
Total depreciation movements in 2014/15	**(0.017)**	**(0.468)**	**(1.852)**	**(6.507)**	**(0.058)**	**(0.173)**	**(0.039)**	**(9.114)**	**(0.604)**
As at 31 March 2015	**(0.348)**	**(2.212)**	**(21.776)**	**(93.447)**	**(2.639)**	**(0.320)**	**(0.062)**	**(120.804)**	**(7.064)**
Net book value at 31 March 2015	**128.467**	**241.083**	**6.756**	**69.011**	**3.393**	**7.510**	**11.517**	**467.737**	**11.032**
Net book value at 31 March 2014	**127.457**	**227.362**	**7.905**	**64.570**	**1.774**	**6.955**	**6.356**	**442.379**	**11.636**

Depreciation

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

Land (car parks) and Buildings – 10-80 years
Vehicles, Plant and Equipment – 5-10 years
Infrastructure – 25-35 years

Capital commitments

At 31 March 2016, the council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2015/16 and future years which are budgeted to cost £54.870m. Similar commitments at 31 March 2015 were £12.638m. The major commitments are shown in the following table:

Projects	Council funded £m	Externally funded £m	Total £m
Academies	0.000	0.439	**0.439**
Active Living	2.024	1.506	**3.530**
Darlaston Strategic Development Area	0.000	0.375	**0.375**
Department of Health Capital Allocation	0.000	0.353	**0.353**
Environmental regeneration schemes	0.025	0.135	**0.160**
Gala Baths	0.388	0.000	**0.388**
Growth Deal	0.000	46.922	**46.922**
Highways maintenance and improvements	0.418	0.351	**0.769**
Investment in parks and greenspaces	0.014	0.592	**0.606**
Library Management System	0.107	0.000	**0.107**
New Homes Bonus	0.277	0.000	**0.277**
Other	0.079	0.089	**0.168**
Preventative adaptations & Supported independent living	0.275	0.000	**0.275**
Primark & Co-op development	0.018	0.000	**0.018**
Wheeled bins	0.483	0.000	**0.483**
	4.108	**50.762**	**54.870**

Revaluations

The council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. The effective date of the revaluations carried out in 2015/16 was 1 April 2015. These valuations were carried out in house by the council's Estates and Property Manager, S D Law MRICS and Development Surveyor N Ford MRICS.

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

The significant assumptions applied in estimating the fair values are:

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

- Specialised assets have been valued on the depreciated replacement cost method using modern equivalent asset basis
- The values used for the depreciated replacement cost calculation were from the Building Cost Information Service (BCIS) Quarterly Review of Building Prices – 1st quarter 2013 and inflation applied to bring the prices up to the 2015/16 level.
- Assets under construction have been valued on a cost basis
- Infrastructure and community assets have been valued on a depreciated historic cost basis.

Surplus assets have been assessed as level 2 for valuation purposes. An explanation of valuation levels can be found in the accounting policy. There has been no change in valuation methodology compared to last year.

24. 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 2015/16. 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 2016 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)	63	8	14	3
Value of land and buildings at 31 March 2016	£173.201m	£15.011m	£0m	£22.724m
Number of schools subject to PFI contracts	0	0	1	0

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

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

Academy conversions
During 2015/16 two schools converted to academy status with a further school converting on 1 April 2016 which has been accounted for as a post balance sheet event. £22.110m of school assets have been derecognised from the council’s balance sheet, comprising:

Bloxwich CE Primary School	£1.302m
Pool Hayes Arts and Community College	£7.697m
Lodge Farm Primary School	£13.111m

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.

25. Heritage assets

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

2015/16 Actuals

	Art Collections £m	Museum Collections £m	Civic Regalia £m	Statues £m	Total £m
Cost/valuation					
As at 1 April 2015	**17.434**	**1.950**	**0.223**	**0.000**	**19.607**
Additions	0.026	0.000	0.000	0.006	0.032
Revaluations	(0.136)	0.000	0.000	0.000	(0.136)
Balance as at 31 March 2016	**17.324**	**1.950**	**0.223**	**0.006**	**19.503**

2014/15 Comparatives

	Art Collections £m	Museum Collections £m	Civic Regalia £m	Statues £m	Total £m
Cost/valuation					
As at 1 April 2014	**15.645**	**1.950**	**0.223**	**0.000**	**17.818**
Additions	1.777	0.000	0.000	0.000	1.777
Revaluations	0.012	0.000	0.000	0.000	0.012
Balance as at 31 March 2015	**17.434**	**1.950**	**0.223**	**0.000**	**19.607**

Valuations

Art collections

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

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

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

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

Additions of heritage assets
There were a small number of additions of art works during 2015/16. These have been added to the relevant collections.

Disposal of heritage assets
There were no disposals of heritage assets during 2015/16.

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.

26. Further information on heritage assets

Heritage assets held on balance sheet

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

Further details of the art collections can be found on the New Art Gallery's website: www.thenewartgallerywalsall.org.uk.

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

Further details of the museum collections can be found on the Walsall Council website:

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

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

Civic regalia

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

Heritage assets not held on balance sheet

The council holds a number of heritage assets off balance sheet due to not previously having values for these items. The council believes that the cost of obtaining valuations now for these assets will not match the potential benefit they will bring to the reader of these accounts. These assets comprise:

- Local history archive
- Statues
- War memorials
- Memorial clocks
- Public art

27. 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.

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

2014/15 £m		2015/16 £m
1.581	Balance at start of the year	1.771
	Additions	
0.000	Subsequent capital expenditure	0.084
0.000	Disposals	(0.017)
0.190	Net gains/(losses) from fair value adjustments	0.000
	Transfers	
0.000	(to)/from Property, Plant and Equipment	6.802
0.190	**Total movements in year**	**6.869**
1.771	**Balance at end of the year**	**8.640**

£6.732m included in the transfer to investment property during 2015/16 arises from the construction of the new Primark and Co-op stores within the Old Square development.

28. Intangible assets

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the council. The useful life assigned to the major software suites used by the council is 5 years. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.787m was charged to revenue in 2015/16 (£0.668m 2014/15).

2014/15 £m		2015/16 £m
	Balance at start of year	
2.152	- Gross carrying amounts	3.306
(1.564)	- accumulated amortisation	(2.232)
	Additions	
1.285	- purchase	1.728
(0.131)	Impairment losses recognised in the surplus/deficit on the provision of services	(0.242)
(0.668)	Amortisation for the year	(0.787)
0.486	**Total movements in the year**	**0.699**
1.074	**Net carrying amount at end of the year**	**1.773**
	Comprising:	
3.306	- Gross carrying amounts	4.792
(2.232)	- accumulated amortisation	(3.019)
1.074	**Net book value at 31 March**	**1.773**

29. 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.

2014/15 £m		2015/16 £m
9.307	**Balance outstanding at start of year**	**6.827**
	Assets newly classified as held for sale:	
1.067	Property, plant and equipment	1.745
	Assets de-classified as held for sale:	
(0.335)	Property, plant and equipment	0.000
	Other movements	
(3.226)	Assets sold	(3.905)
0.014	Other movements	0.000
6.827	**Balance outstanding at year-end**	**4.667**

30. Capital expenditure and capital financing

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

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

2014/15 Restated £m		**2015/16 £m**
306.659	Opening capital financing requirement	310.336
	Capital investment	
36.202	Property, plant and equipment	53.838
0.000	Investment property	0.084
1.777	Heritage assets	0.032
6.161	Revenue expenditure funded from capital under statute	33.222
1.285	Intangible assets	1.728
45.425		**88.904**
	Sources of finance	
(2.618)	Capital receipts	(0.790)
(22.272)	Government grants and contributions	(56.620)
	Sums set aside from revenue	
(4.441)	Direct revenue contributions	(6.052)
(11.040)	Minimum revenue provision (MRP)	(7.701)
(40.371)		**(71.163)**
	Other capital adjustments	
(1.377)	Adjustments related to finance lease disposals	(0.058)
(1.377)		**(0.058)**
310.336	**Closing capital financing requirement**	**328.019**
	Explanation of movements in year	
16.094	Increase in current year underlying need to borrow	25.442
(9.795)	Decrease in prior years underlying need to borrow (MRP)	(6.410)
(0.966)	Reduction in liability on PFI schemes (MRP)	(0.673)
(1.656)	Reduction in liability on Finance Leases (MRP)	(0.676)
3.677	**Increase/(decrease) in capital financing requirement**	**17.683**

There has been an increase in revenue expenditure funded from capital under statute during 2015/16 as a result of Growth Deal grant funding received by the council. The Growth Deal capital scheme is designed to provide local businesses and organisations with grant funding to promote growth of their businesses and create jobs. As such the assets are not the councils are classified as revenue expenditure funded from capital under statute. Government grants and contributions have increased as a result of the Growth Deal grant funding.

There has been an increase in the underlying need for the council to borrow due to an increase in capital spend.

There has been a decrease in the minimum revenue provision charged as a result of a calculation discrepancy identified during 2015/16. This amounted to £4.132m.

31. Leases

Council as lessee

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 2015 £m		31 March 2016 £m
0.754	Not later than one year	0.471
1.155	Later than one year and not later than five years	1.089
3.894	Later than five years	3.716
5.803	**Total**	**5.276**

The council has sub-let some of the vehicles held under these operating leases. At 31 March 2016 the minimum payments expected to be received under non-cancellable sub-leases was minimal.

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

2014/15 £m		2015/16 £m
0.980	Minimum lease payments	0.809
0.325	Contingent rents	0.219
(0.098)	Sublease payments received	(0.098)
1.207	**Total**	**0.930**

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 2015 £m		31 March 2016 £m
0.459	Not later than one year	0.422
1.284	Later than one year and not later than five years	1.320
6.982	Later than five years	6.595
8.725	**Total**	**8.337**

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 2015/16 the contingent rents received by the council were minimal.

Finance Leases

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

32. Private finance initiatives and similar contracts

St Thomas More School

2015/16 was the thirteenth year of a 25 year private finance initiative (PFI) contract for the construction, maintenance and operation of a new secondary school in Willenhall. The main partners within the contract are the Governors of St Thomas More School, Birmingham Roman Catholic Diocese Trustees, Babcock and Brown and Walsall Council. The application of IFRIC 12 to this scheme has resulted in this being classed as an off balance sheet transaction. As such no asset is shown within the council's balance sheet. This is due to the council having no interest in the school at the end of the contract. Instead all the land and property reverts back to the Birmingham Roman Catholic Diocese Trustees and the Governors of St Thomas More School. In line with all other voluntary aided schools the contract has also been reviewed under IFRIC 4 and it has been determined that the council has an operating lease with the Governors of St Thomas More School and Birmingham Roman Catholic Diocese Trustees.

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

	£m
Payable in 2016/17	2.236
Payable within two to five years	9.399
Payable within six to ten years	12.846
Payable within eleven to twelve years	5.505
Total	**29.986**

Public street lighting

2015/16 was the twelfth year of a 25 year PFI contract for the replacement and maintenance of the council's lighting stock across the borough. The objective of this contract is to ensure that the borough is lit in a uniform manner complying with British and European standards. The main partners within the contract are Walsall Council and Walsall Public Lighting Ltd.

Property, plant and equipment

The assets used to provide services for street lighting are recognised on the council's balance sheet. Movements in their value over the year are detailed in the analysis of the movement on the property, plant and equipment balance in note 23.

Payments

The council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2016 (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 2016/17	2.537	0.526	0.084	3.147
Payable within two to five years	10.792	2.033	0.27	13.095
Payable within six to ten years	14.463	2.934	0.184	17.581
Payable within eleven to thirteen years	6.537	1.182	0.023	7.742
Total	**34.329**	**6.675**	**0.561**	**41.565**

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

2014/15 £m		2015/16 £m
(8.035)	Balance outstanding at start of year	(7.348)
0.687	Payments during the year	0.673
(7.348)	**Balance outstanding at year-end**	**(6.675)**

Housing 21

2015/16 was the eighth year of a 30 year public-private partnership scheme. The principal partners in the contract are Housing 21 and Walsall Council. This contract is to provide:

- 285 extra care units (including 70 shared ownership and 10 respite care) across the borough
- A 40 bed dementia care unit at Goscote
- Increased day care across the borough (including weekend access to services). For 2015/16 onwards this part of the agreement has ceased, and the costs shown within the table below reflect this change.

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

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

	£m
Payable in 2016/17	8.133
Payable within two to five years	34.618
Payable within six to ten years	48.369
Payable within eleven to fifteen years	54.725
Payable within sixteen to twenty years	61.917
Payable within twenty one to twenty two years	26.988
Total	**234.750**

33. Impairment losses

During 2015/16, the council has recognised an impairment loss of £6.790m in relation to its operational land and buildings, £0.043m in relation to surplus assets, £0.240 in relation to assets under construction, £0.878m in relation to infrastructure assets £0.055m in relation to community assets and £0.242m in relation to intangible assets. These impairments are where capital expenditure has not added a pound for pound increase in the value of the properties but has enhanced and/or upgraded the fabric of the building. The impairment loss has been charged to the net cost of services in the CIES or revaluation reserve where there is an existing balance.

34. Financial instruments

Categories of financial instruments

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

2014/15			2015/16	
Long term £m	Current £m		Long term £m	Current £m
		Investments		
15.669	129.929	Loans and receivables	10.581	119.986
18.673	0.000	Available for sale financial assets	18.673	0.000
34.342	**129.929**	**Total Investments**	**29.254**	**119.986**
		Debtors		
9.183	0.000	Loans and receivables	8.649	0.000
0.000	60.566	Financial assets carried at contract amounts	0.000	50.881
9.183	**60.566**		**8.649**	**50.881**
0.000	7.761	Council Tax and NNDR debtors not classed as financial instruments	0.000	8.955
9.183	**68.327**	**Total Debtors**	**8.649**	**59.836**
		Borrowings		
(254.034)	(0.287)	Financial liabilities at amortised cost	(233.379)	(9.355)
(254.034)	**(0.287)**	**Total Borrowings**	**(233.379)**	**(9.355)**
		Other long term liabilities		
(6.675)	0.000	PFI	(6.149)	0.000
(0.734)	0.000	Finance leases	(0.538)	0.000
(7.409)	**0.000**		**(6.687)**	**0.000**
		Other long term liabilities that are not financial instruments		
(527.513)	0.000	Pensions	(480.576)	0.000
(527.513)	**0.000**		**(480.576)**	**0.000**
(534.922)	**0.000**	**Total other long term liabilities**	**(487.263)**	**0.000**
		Creditors		
0.000	(66.211)	Financial liabilities carried at contract cost	0.000	(67.311)
0.000	**(66.211)**		**0.000**	**(67.311)**
0.000	(3.324)	Council Tax and NNDR creditors not classed as financial instruments	0.000	(3.293)
0.000	**(69.535)**	**Total creditors**	**0.000**	**(70.604)**

The loans and receivables investments consist of investments with commercial banks. Of the short term investments £112.187m (£118.289m 2014/15) consist of maturity investments and £7.799m (£11.640m 2014/15) are classed as cash equivalents (see note 38 page 101).

The available for sale assets consists of the council's share holding in Birmingham Airport Holdings Limited (BAH). The seven West Midlands local authorities own 49% of BAH's 320 million ordinary shares of £0.01 each. The council owns 4.88% (£16.618m) of these shares. The other shareholders are Airport Group Investments (48.35%) and an employee share trust (2.75%). In addition the seven West Midlands authorities own all £20.653m of BAH's 6.31% preference shares, of which Walsall Council owns £2.055m. These are cumulative and irredeemable.

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

The long term debtors contains of £6.6m Waste Disposal debt from the former West Midlands County Council owed to Walsall Council by the other West Midlands councils and £2m underwriting of the Local Authority Mortgage Scheme.

Income, expense, gains and losses

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

2014/15					2015/16			
Financial liabilities: measured at amortised cost £m	Financial assets: loans and receivables £m	Financial assets: available-for-sale assets £m	Total £m		Financial liabilities: measured at amortised cost £m	Financial assets: loans and receivables £m	Financial assets: available-for-sale assets £m	Total £m
(18.065)	0.000	0.000	(18.065)	Interest expense	(16.574)	0.000	0.000	(16.574)
0.170	0.000	0.000	0.170	Less finance lease interest and PFI interest	0.127	0.000	0.000	0.127
(17.895)	**0.000**	**0.000**	**(17.895)**	**Total expense in surplus/(deficit) on the provision of services**	**(16.447)**	**0.000**	**0.000**	**(16.447)**
0.000	1.844	0.816	2.660	Interest & investment income	0.000	2.209	4.802	7.011
0.000	**1.844**	**0.816**	**2.660**	**Total income in surplus/(deficit) on the provision of services**	**0.000**	**2.209**	**4.802**	**7.011**
0.000	0.000	0.000	0.000	Gains on revaluation	0.000	0.000	0.000	0.000
0.000	0.000	(0.661)	(0.661)	Losses on revaluation	0.000	0.000	0.000	0.000
0.000	**0.000**	**(0.661)**	**(0.661)**	**Surplus/ (deficit) arising on revaluation of financial assets in other comprehensive income and expenditure**	**0.000**	**0.000**	**0.000**	**0.000**
(17.895)	**1.844**	**0.155**	**(15.896)**	**Net gain/ (loss) in year**	**(16.447)**	**2.209**	**4.802**	**(9.436)**

Fair value of assets and liabilities

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

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

The fair values of financial liabilities calculated are as follows:

2014/15			2015/16	
Carrying Amount £m	Fair Value £m		Carrying Amount £m	Fair Value £m
(108.261)	(168.924)	PWLB loans	(108.505)	(145.803)
(22.068)	(26.850)	Other local authority debt	(20.877)	(25.282)
(0.088)	(0.088)	Individuals	(0.379)	(0.379)
(123.904)	(164.329)	Private sector loans	(112.973)	(149.040)
(254.321)	**(360.191)**	**Financial liabilities**	**(242.734)**	**(320.504)**

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 2016) arising from a commitment to pay interest to lenders above current market rates.

The fair values of financial assets calculated are as follows:

2014/15			2015/16	
Carrying Amount £m	Fair Value £m		Carrying Amount £m	Fair Value £m
15.669	16.099	Long term investments	10.581	10.733
118.289	118.572	Short term investments	112.187	112.607
11.640	11.640	Short term liquid deposits	7.799	7.799
18.673	18.673	Available for sale financial assets	18.673	18.673
9.183	9.183	Long term debtors	8.649	8.649
173.454	**174.167**	**Financial assets**	**157.889**	**158.461**

The fair value of the assets is higher than the carrying amount because the council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2016) attributable to the commitment to receive interest above current market rates.

Available for sale assets are carried in the balance sheet at their fair value. The council's shareholding in Birmingham International Airport is not traded in an active market and fair value of £18.673 million has been based on valuation techniques that are based on observable current market transactions (Level 2). The valuation technique used in determining the fair value of BIA is an earnings approached based upon Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) within the relevant year's business plan with future potential adjusted by multiples derived from similar listed companies within the industry.

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

35. 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 26 February 2015 and is available on the council website. The key issues within the strategy were:

- The authorised limit for the 2015/16 was set at £357.585m. This is the maximum limit of external borrowings or other long term liabilities

- The operational boundary was set at £316.787m. This is the expected level of debt and other long term liabilities during the year
- The maximum amounts of fixed and variable interest rate exposure were set at 95% and 45% based on the council's long term borrowing
- The maximum and minimum exposures to the maturity structure of debt are shown on page 97.

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

Credit risk

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

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

The annual investment strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined below. Details of the investment strategy can be found on the council's website www.walsall.gov.uk . The general policy objective for this council is the prudent investment of its treasury balances.

The council's investment priorities are:

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

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

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

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

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

Minimum ratings	Fitch	Moodys
Short term	F1	P21
Long term	A	A31

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

The council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise.

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

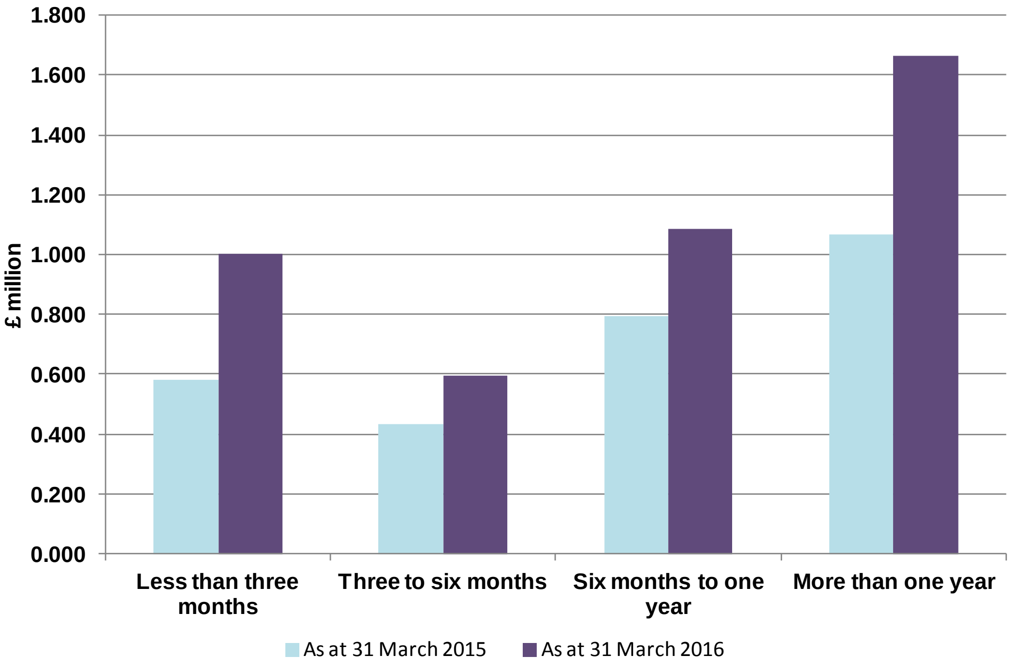
Bonds rated:	Amount as at 31 March 2016 £m	Historical experience of default as at 31 March 2016 %	Adjustment for market conditions as at 31 March 2016 %	Estimated maximum exposure to default as at 31 March 2016 £m	Estimated maximum exposure to default as at 31 March 2015 £m
AAA	13.000	0.04%	0.00%	0.005	0.018
AA	7.800	0.01%	0.00%	0.001	0.021
A	15.000	0.07%	0.00%	0.011	0.077
Rated Building Societies rated BB and above	33.000	0.43%	0.00%	0.140	1.185
Unrated Building Societies	30.000				
Challenger Banks	33.000				
Trade debtors	14.087			Local experience	Local experience
Total	**145.887**				

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

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

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

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



Liquidity risk

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

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

The maturity analysis of financial assets is as follows:

	2014/15 £m	2015/16 £m
Less than one year	130.098	120.067
Between one and two years	10.000	10.500
Between two and five years	5.500	2.000
More than five years	27.856	25.322
Total	**173.454**	**157.889**

Refinancing and Maturity risk

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

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

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

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the treasury management strategy, see page 94):

Maturity Period	Approved minimum limits £m	Approved maximum limits £m	Actual 31 March 2016 £m	Actual 31 March 2015 £m
Less than 1 year	0.000	60.684	**62.986**	15.577
Between 1 and 2 years	0.000	60.684	**35.250**	55.088
Between 2 and 5 years	0.000	97.094	**32.000**	65.000
Between 5 and 10 years	12.137	121.367	**37.256**	43.447
More than 10 years	72.820	206.324	**75.242**	75.209
Total			**242.734**	**254.321**

Within the maturity profile there are a number of LOBO loans. The next call date on a LOBO loan is to be assumed as a right of the lender to require repayment, and so it is reflected in the maturity profile on that basis. For this reason the maturity profile shows maturities greater than the approved debt range for loans maturing less than 1 year. However the majority of these loans have an overall maturity date greater than this.

Market risk

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

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

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

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

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be as follows:

	£m
Increase in interest payable on variable rate borrowings	1.943
Increase in interest receivable on variable rate investments	0.039
Increase in government grant receivable for financing costs	0.000
Impact on surplus or (deficit) on the provision of services	1.982
Decrease in fair value of fixed rate investment assets	0.572
Impact on other comprehensive income and expenditure	0.572
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)	39.687

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in note 34 – fair value of assets and liabilities carried at amortised cost.

Price risk
The council, excluding the pension fund, does not generally invest in equity shares or marketable bonds. However, it does have shareholdings to the value of £18.673m in Birmingham Airport (£16.618m ordinary shares and £2.055m preference shares).

The shares are all classified as available-for-sale, meaning that all movements in price will impact on gains and losses recognised in the available for sale reserve. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £0.934m gain or loss being recognised in the available for sale reserve.

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

36. Inventories

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

2014/15 £m		2015/16 £m
0.913	Balance at the start of the year	**1.082**
4.381	Purchases	**3.126**
(4.212)	Recognised as expense during the year	**(3.232)**
1.082	**Balance at year-end**	**0.976**

37. Debtors

This table shows the amounts owed to the council for which payments have not been received by 31 March 2016, but which should be paid within one year.

2014/15 £m		2015/16 £m
3.273	Capital debtors	1.686
6.926	Central government bodies	6.691
0.795	Other local authorities	1.193
2.061	NHS bodies	1.651
0.002	Public corporations and trading funds	0.002
14.182	Council Tax receivable from taxpayers	16.618
3.209	NDR receivable from taxpayers	3.038
37.879	Other entities and individuals	28.957
68.327	**Total**	**59.836**
(18.827)	Provision for bad and doubtful debts	(23.010)
49.500	**Total**	**36.826**

Within other entities and individuals £0.835m (£0.835m in 2014/15) is included for property charges within social care. The council recognises that although these are correctly classified as debtors due within one year, events beyond the control of the council make it probable that a proportion of these will be settled beyond that timeframe.

Provision for bad and doubtful debts

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

2014/15 £m		2015/16 £m
(8.822)	Council Tax	(10.031)
(1.441)	NDR	(1.545)
(8.564)	Other debtors	(11.434)
(18.827)	**Total**	**(23.010)**

38. Cash and cash equivalents

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

2014/15 £m		2015/16 £m
0.048	Cash held by the council	0.047
6.541	Bank current accounts	(3.042)
11.640	Short term deposits	7.799
18.229	**Total**	**4.804**

Short term deposits have reduced as a result of the councils treasury management strategy.

39. Creditors

This table shows the amounts owed by the council for which payments have not been paid by 31 March 2016, but which should be paid within one year.

2014/15 £m		2015/16 £m
(4.972)	Capital creditors	(19.938)
(5.884)	Central government bodies	(6.785)
(8.529)	Other local authorities	(2.960)
(2.397)	NHS bodies	(2.609)
(47.753)	Other entities and individuals	(38.312)
(69.535)	**Total**	**(70.604)**

Reduction in other entities and individuals of approximately £8m is due to the timing of payment runs and the financial year end.

40. Provisions

The following table shows the movement during the year of the provisions maintained by the council. The movements will have been charged or generated from the appropriate headings in the net cost of services. These represent provisions for future expenses in respect of liabilities incurred in relation to the year under review.

	Back Pay £m	Insurance Fund £m	Pensions and Redundancy £m	NDR Appeals £m	Other £m	Total £m
Balance at 1 April 2015	(4.454)	(0.982)	(1.664)	(3.030)	(0.380)	**(10.510)**
Additional provisions made in 2015/16	(0.086)	(1.078)	(1.503)	(0.655)	(0.528)	**(3.850)**
Amounts used in 2015/16	0.044	1.126	1.543	0.000	0.108	**2.821**
Unused amounts reversed in 2015/16	0.000	0.000	0.121	0.000	0.139	**0.260**
Balance at 31 March 2016	**(4.496)**	**(0.934)**	**(1.503)**	**(3.685)**	**(0.661)**	**(11.279)**

Back pay

During 2015/16 Walsall continued to settle outstanding equal pay claims, based on a memorandum of understanding reached at the end of 2010/11. Negotiation with the legal representatives of new equal pay claimants, who raised claims following the agreement of the existing memorandum of understanding, has been progressed to obtain greater clarity around the level of any liability and timing of payments. However, following recent legal rulings, there still remains a risk of potential further equal pay claims.

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

Insurance fund

The council has an established insurance fund to cover excesses on claims. These outstanding claims amount to £3.870m 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 £0.934m (£0.982m 2014/15) for which a provision is held to cover this.

Pensions and redundancy costs

The council has created an additional provision of £1.503m for pension and redundancy costs in relation to restructures undertaken during 2015/16. During 2015/16 £1.543m was charged against this provision and £0.121m reversed back into revenue utilising all of the 2014/15 provision. The £1.503m will be carried forward to 2016/17 where it is expected that the remaining transfers of economic benefit will occur. The pension figures provided by the West Midlands Metropolitan Authorities Pension Fund and the redundancy costs are based on agreed and expected leaving dates for each officer.

NDR appeals

Further information on NDR appeals can be found on page 116.

Other

In addition to the above provisions the council holds £0.661m (£0.380m 2014/15) for other costs where the expected timing of any resultant transfer of economic benefit or future events cannot be accurately predicted.

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

	Back Pay £m	Insurance Fund £m	Pensions and Redundancy £m	NDR Appeals £m	Other £m	Total £m
Less than 1 year	(4.496)	0.000	(1.503)	(3.685)	(0.661)	**(10.345)**
1-2 years	0.000	(0.934)	0.000	0.000	0.000	**(0.934)**
Balance at 31 March 2015	**(4.496)**	**(0.934)**	**(1.503)**	**(3.685)**	**(0.661)**	**(11.279)**

41. Usable reserves

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

2014/15 £m		2015/16 £m
(11.514)	General fund reserve	(14.131)
(145.166)	Earmarked reserves	(130.321)
(22.972)	Capital grants unapplied account	(20.955)
(7.171)	Capital receipts reserve	(8.122)
(186.823)	**Total**	**(173.529)**

Capital grants unapplied account

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

2014/15 £m		2015/16 £m
(18.340)	Balance brought forward	(22.972)
(12.027)	Current year capital grants unapplied credited from comprehensive income and expenditure statement	(10.495)
7.395	Prior year capital grants applied against capital expenditure	12.512
(22.972)	**Total**	**(20.955)**

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.

2014/15 £m		2015/16 £m
(5.652)	Balance brought forward	(7.171)
(4.135)	Capital receipts received during the year	(1.739)
(0.008)	Capital receipts released from deferred capital receipts	(0.009)
2.618	Capital receipts applied against capital expenditure	0.790
0.006	Capital receipts paid to CLG for pooling of housing capital receipts	0.007
(7.171)	**Total**	**(8.122)**

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 2015/16.

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

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

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

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

	Balance as at 31/03/2014 £m	Transfers in 2014/15 £m	Transfers out 2014/15 £m	Balance as at 31/03/2015 £m	Transfers in 2015/16 £m	Transfers out 2015/16 £m	Balance as at 31/03/2016 £m
Treasury reserves							
BIA Investment	(4.072)	0.000	4.072	**0.000**	0.000	0.000	**0.000**
Borrowing re-scheduling	(6.296)	(0.900)	0.000	**(7.196)**	(8.000)	7.196	**(8.000)**
Treasury commutation	(5.120)	0.000	0.000	**(5.120)**	(1.624)	3.734	**(3.010)**
Grants received in advance							
Crisis Support	(0.741)	(0.649)	0.000	**(1.390)**	0.000	0.280	**(1.110)**
Dedicated schools grant	(5.847)	(6.195)	3.549	**(8.493)**	(2.617)	1.587	**(9.523)**
Grant funding in advance under IFRS	(7.425)	(2.206)	1.753	**(7.878)**	(2.012)	2.120	**(7.770)**
New homes bonus	(1.710)	(0.003)	0.275	**(1.438)**	0.000	1.400	**(0.038)**
Private finance initiative	(17.674)	(1.320)	0.000	**(18.994)**	(1.401)	0.000	**(20.395)**
Public Health	(2.059)	(1.456)	1.287	**(2.228)**	(1.748)	1.698	**(2.278)**
Walsall Adult Community College	(2.085)	(0.087)	0.037	**(2.135)**	0.000	2.135	**0.000**
Walsall works	(1.466)	(0.133)	0.812	**(0.787)**	0.000	0.223	**(0.564)**
Worklessness agenda	(0.965)	0.000	0.000	**(0.965)**	0.000	0.965	**0.000**
Demand							
Children's demand led services	0.000	(1.650)	0.000	**(1.650)**	(2.609)	4.259	**0.000**
Children's Social Workers	0.000	0.000	0.000	**0.000**	(1.000)	0.000	**(1.000)**
Housing Subsidy	0.000	(3.000)	1.500	**(1.500)**	0.000	1.000	**(0.500)**
Social care demand led services	0.000	(1.500)	0.000	**(1.500)**	(2.063)	3.563	**0.000**

	Balance as at 31/03/2014 £m	Transfers in 2014/15 £m	Transfers out 2014/15 £m	Balance as at 31/03/2015 £m	Transfers in 2015/16 £m	Transfers out 2015/16 £m	Balance as at 31/03/2016 £m
Improvement projects							
Carbon management reduction programme	(0.963)	(1.381)	0.272	**(2.072)**	(0.060)	0.862	**(1.270)**
City Deal	(2.500)	0.000	0.000	**(2.500)**	0.000	0.000	**(2.500)**
Community Engagement	(0.600)	0.000	0.000	**(0.600)**	0.000	0.600	**0.000**
Economic Growth Programme	0.000	0.000	0.000	**0.000**	(2.657)	0.204	**(2.453)**
Phoenix 10	0.000	0.000	0.000	**0.000**	(0.650)	0.000	**(0.650)**
Project reserve	(6.494)	(2.803)	0.500	**(8.797)**	(0.314)	6.764	**(2.347)**
Strategic capital investment	(7.826)	0.000	0.290	**(7.536)**	0.000	4.153	**(3.383)**
Council liabilities							
Business rates retention scheme	(1.014)	(3.186)	1.371	**(2.829)**	(2.270)	0.274	**(4.825)**
Environmental warranties	(1.000)	0.000	0.000	**(1.000)**	0.000	0.000	**(1.000)**
External legal costs - pay & grading	(0.684)	0.000	0.015	**(0.669)**	0.000	0.669	**0.000**
Insurance fund	(2.116)	(0.401)	0.000	**(2.517)**	0.000	0.000	**(2.517)**
Mediation	(3.286)	(0.033)	0.941	**(2.378)**	(0.500)	1.416	**(1.462)**
Pensions / ABS	(5.741)	(12.893)	1.496	**(17.138)**	(1.910)	0.000	**(19.048)**
Transactional employment & pension costs	(17.005)	0.000	6.511	**(10.494)**	0.000	0.197	**(10.297)**
Workforce planning	(3.173)	(3.000)	3.386	**(2.787)**	(6.106)	5.011	**(3.882)**
Other							
Buy not lease	(0.626)	0.000	0.000	**(0.626)**	0.000	0.051	**(0.575)**
Contract Negotiations	0.000	0.000	0.000	**0.000**	(3.000)	0.000	**(3.000)**
Other earmarked reserves individually below £500k	(11.022)	(1.916)	4.302	**(8.636)**	(2.450)	4.588	**(6.498)**
Earmarked general fund balances	**(119.510)**	**(44.712)**	**32.369**	**(131.853)**	**(42.991)**	**54.949**	**(119.895)**
Nursery schools	(0.185)	(0.364)	0.275	**(0.274)**	(0.322)	0.275	**(0.321)**
Primary schools	(7.509)	(9.571)	8.565	**(8.515)**	(6.767)	9.073	**(6.209)**
Secondary schools	(1.134)	(0.811)	1.135	**(0.810)**	(0.515)	0.811	**(0.514)**
Special schools	(2.277)	(2.077)	2.529	**(1.825)**	(2.178)	2.445	**(1.558)**
Foundation schools	(1.946)	0.057	0.000	**(1.889)**	(1.823)	1.888	**(1.824)**
School balances	**(13.051)**	**(12.766)**	**12.504**	**(13.313)**	**(11.605)**	**14.492**	**(10.426)**
Total	**(132.561)**	**(57.478)**	**44.873**	**(145.166)**	**(54.596)**	**69.441**	**(130.321)**

42. Unusable reserves

Movements in the council's unusable reserves can be found in the movement in reserves statement (page 30) and note 21 (page 74).

2014/15 £m		2015/16 £m
(97.115)	Revaluation reserve	(78.919)
(11.968)	Available for sale financial instruments account	(11.968)
(98.270)	Capital adjustment account	(101.187)
(1.116)	Deferred capital receipts reserve	(1.102)
527.513	Pensions reserve	480.576
3.365	Collection fund adjustment account	1.323
6.060	Accumulated absences account	4.571
328.469	**Total**	**293.294**

Revaluation reserve

The revaluation reserve contains the gains made by the council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

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

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

2014/15		2015/16	
£m		£m	£m
(93.452)	Balance at 1 April		(97.115)
(13.920)	Upward revaluation of assets	(0.648)	
6.488	Downward revaluation of assets and impairment losses not charged to the surplus/(deficit) on the provision of services	0.564	
0.323	Impairment losses or (reversals) on non-current assets charged to the revaluation reserve	3.130	
(7.109)	**(Surplus) or deficit on revaluation of non-current assets not posted to the surplus or (deficit) on the provision of services**		**3.046**
1.494	Difference between fair value depreciation and historical cost depreciation	1.429	
1.952	Accumulated gains on assets sold or scrapped	13.721	
3.446	**Amount written off to the capital adjustment account**		**15.150**
(97.115)	**Balance at 31 March**		**(78.919)**

Available for sale financial instruments reserve

The available for sale financial instruments reserve contains the gains made by the council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

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

2014/15 £m		2015/16 £m
(12.629)	Balance at 1 April	(11.968)
0.000	Upward revaluation of investments	0.000
0.661	Downward revaluation of investments not charged to the surplus/deficit on the provision of services	0.000
0.661		**0.000**
(11.968)	**Balance at 31 March**	**(11.968)**

Capital adjustment account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement.

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

The account contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains. Note 21 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

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

2014/15 £m		£m	2015/16 £m
(80.275)	Balance at 1 April		(98.270)
	Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement		
16.764	Charges for depreciation and impairment of non-current assets	21.002	
(1.548)	Revaluation changes on property, plant and equipment	(0.299)	
0.799	Amortisation and impairment of intangible assets	1.029	
3.534	Revenue expenditure funded from capital under statute	1.988	
0.752	Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the comprehensive income and expenditure statement	13.297	
20.301	**Net written out amount of the cost of non-current assets consumed in the year**		**37.017**
	Capital financing applied in the year		
(2.618)	Use of capital receipts reserve to finance new capital expenditure	(0.790)	
(12.255)	Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital expenditure	(12.875)	
(7.394)	Application of grants to capital financing from the capital grants unapplied account	(12.512)	
(11.398)	Statutory provision for the financing of capital investment charged against the general fund	(7.706)	
(4.441)	Capital expenditure charged against the general fund	(6.051)	
(38.106)	**Total financing applied to capital expenditure in the year**		**(39.934)**
(0.190)	Movement in the market value of investment properties debited or credited to the comprehensive income and expenditure statement		0.000
(98.270)	**Balance at 31 March**		**(101.187)**

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.

2014/15 £m		2015/16 £m
(1.449)	**Balance at 1 April**	(1.116)
(0.033)	Deferred soft loan receipts	0.000
0.358	Release of deferred capital receipts to revenue as per regulations	0.005
0.008	Transfer to the capital receipts reserve upon receipt of cash	0.009
(1.116)	**Balance at 31 March**	**(1.102)**

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.

2014/15 £m		2015/16 £m
426.721	Balance at 1 April	527.513
90.745	Remeasurements of net defined benefits liabilities/(assets)	(54.989)
41.531	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	41.840
(31.484)	Employer's pensions contributions and direct payments to pensioners payable in the year	(33.788)
527.513	**Balance at 31 March**	**480.576**

For further information on the changes in the defined benefit pension scheme please see page 61.

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 collection fund can be found on page 113.

2014/15 £m		2015/16 £m
0.897	**Balance at 1 April**	3.365
(0.617)	Amount by which council tax income credited to the comprehensive income and expenditure statement is different from council tax income calculated for the year in accordance with statutory requirements	(2.046)
3.085	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	0.004
3.365	**Balance at 31 March**	**1.323**

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.

2014/15 £m		2015/16 £m
5.749	Balance at 1 April	6.060
0.311	Movement by which officer remuneration charged to CIES is different to that chargeable in year in accordance with statutory requirements compared to previous year	(1.489)
6.060	**Balance at 31 March**	**4.571**

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

2014/15 £m		2015/16 £m
(16.764)	Depreciation and impairments	(22.431)
1.548	Revaluations	0.299
(0.799)	Amortisation and impairments of intangible assets	(1.029)
7.599	Increase/(decrease) in debtors	(11.352)
(11.171)	(Increase)/decrease in creditors	13.696
0.169	Increase/(decrease) in inventories	(0.106)
(10.047)	Movement in pension liability	(8.052)
(0.752)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(27.018)
(4.781)	Other non-cash items charged to the net surplus/deficit on the provision of services	(2.388)
(34.998)	**Total**	**(58.381)**

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

2014/15 £m		2015/16 £m
(129.605)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(177.400)
4.135	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1.738
25.120	Any other items for which the cash effects are investing or financing cash flows	54.576
(100.350)	**Total**	**(121.086)**

45. Cash flow statement – operating activities

The cash flows for operating activities include the following items:

2014/15 £m		2015/16 £m
(2.080)	Interest received	(2.104)
14.163	Interest paid	21.046
(0.973)	Dividends received	(4.802)
11.110	**Total**	**14.140**

46. Cash flow statement – investing activities

2014/15 £m		2015/16 £m
36.659	Purchase of property, plant and equipment, investment property and intangible assets	40.716
151.300	Purchase of short-term and long-term investments	166.100
(4.143)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1.747)
(25.470)	Other receipts from investing activities	(54.990)
158.346	**Net cash flows from investing activities**	**150.079**

47. Cash flow statement – financing activities

2014/15 £m		2015/16 £m
0.034	Cash receipts of short - and long-term borrowing	(9.841)
0.042	Other receipts from financing activities	0.305
1.978	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	0.896
0.000	Repayments of short- and long-term borrowing	21.391
2.054	**Net cash flows from financing activities**	**12.751**

48. Contingent liabilities

Contaminated Land – former Gas Works – Oakridge Drive

The council purchased the former Gas Works site from West Midlands Gas Board in the late 1960's. The site was sold to a housing developer in the early 1970's which led to the development of the Stonegate estate. Under current legislation the council is now obliged to ensure that previously contaminated sites have been cleaned appropriately, and are no longer an environmental or health hazard. The council has now served notice on all identified appropriate persons in order to try and determine liabilities for the cost of remediating this site. Through application of the legislation there is a potential risk to the council to inherit some of the liability, including in relation to civil liability claims arising from the period of ownership of this land.

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

Equal Pay

During 2015/16 Walsall continued to settle outstanding equal pay claims, based on memorandums of understanding reached with the claimants legal representatives. Following recent legal rulings there remains a risk of further equal pay claims.

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

49. Contingent assets

The council has no contingent assets to disclose as at 31 March 2016.

Collection Fund

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

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

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

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

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

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

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

1. Collection Fund income and expenditure account

2014/15				2015/16		
Council Tax £m	NDR £m	Total £m		Council Tax £m	NDR £m	Total £m
			Income			
(99.131)	0.000	(99.131)	Income from council tax	(108.520)	0.000	(108.520)
(99.131)	**0.000**	**(99.131)**	**Sub total**	**(108.520)**	**0.000**	**(108.520)**
0.000	(67.300)	(67.300)	Income collectable from business ratepayers	0.000	(66.753)	(66.753)
(99.131)	**(67.300)**	**(166.431)**	**Total income**	**(108.520)**	**(66.753)**	**(175.273)**
			Expenditure			
			Council Tax Precepts:			
86.764	0.000	86.764	Walsall Council	93.703	0.000	93.703
6.427	0.000	6.427	Police	6.942	0.000	6.942
3.314	0.000	3.314	Fire and Civil Defence	3.579	0.000	3.579
			Business Rates:			
0.000	33.796	33.796	Payments to Government	0.000	31.647	31.647
0.000	0.677	0.677	Payments to Fire	0.000	0.633	0.633
0.000	33.245	33.245	Payments to Walsall Council	0.000	31.025	31.025
0.000	0.343	0.343	Costs of collection	0.000	0.340	0.340
0.000	1.783	1.783	Transitional protection payments	0.000	0.920	0.920
0.000	0.008	0.008	Enterprise Zone relief	0.000	0.004	0.004
0.000	(0.259)	(0.259)	Deferred income	0.000	0.000	0.000
1.182	0.236	1.418	Provisions	1.433	0.213	1.646
0.010	1.157	1.167	Write offs	0.035	0.762	0.797
0.000	2.356	2.356	Provision for appeals	0.000	1.337	1.337
97.697	**73.342**	**171.039**	**Total expenditure**	**105.692**	**66.881**	**172.573**
(1.434)	**6.042**	**4.608**	**(Surplus)/deficit for year**	**(2.828)**	**0.128**	**(2.700)**
			Collection Fund Balance			
(0.574)	3.018	2.444	Balance brought forward at 1 April	(1.263)	9.060	7.797
0.049	0.000	0.049	Police - payment to / (from)	0.037	0.000	0.037
0.025	0.000	0.025	Fire - payment to / (from)	0.019	0.000	0.019
0.671	0.000	0.671	Walsall Council - payment to / (from)	0.505	0.000	0.505
(1.434)	6.042	4.608	(Surplus)/deficit for the year (as above)	(2.828)	0.128	(2.700)
(1.263)	**9.060**	**7.797**	**Balance carried forward at 31 March**	**(3.530)**	**9.188**	**5.658**
			Allocated to:			
(1.128)	4.493	3.365	Walsall Council	(3.174)	4.497	1.323
0.000	(0.054)	(0.054)	Walsall Council Enterprise Zone	0.000	0.005	0.005
(0.089)	0.000	(0.089)	Police	(0.235)	0.000	(0.235)
(0.046)	0.091	0.045	Fire	(0.121)	0.092	(0.029)
0.000	4.530	4.530	Government	0.000	4.594	4.594
(1.263)	**9.060**	**7.797**		**(3.530)**	**9.188**	**5.658**

 Subject to Audit

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 2015/16 is as follows:

Band	Weighting	Number of dwellings on valuation list	Discounted value for council tax purposes	Band D equivalent	Band D equivalent for 2014/15
A	6/9	49,838	28,832	**19,214**	**16,738**
B	7/9	26,140	19,273	**14,990**	**14,107**
C	8/9	17,627	14,627	**13,002**	**12,618**
D	9/9	10,050	8,866	**8,866**	**8,676**
E	11/9	5,494	5,002	**6,114**	**6,010**
F	13/9	2,364	2,184	**3,154**	**3,092**
G	15/9	752	695	**1,158**	**1,145**
H	18/9	53	37	**74**	**75**
		112,318	**79,516**	**66,572**	**62,461**

3. Income from Business Ratepayers

The council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) which is multiplied by a uniform business rate set nationally by central government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NDR pool) administered by central government, who in turn, paid to local authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

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

When the scheme was introduced, central government set a baseline level for each authority, identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to central government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Walsall received a top up grant to the General Fund in 2015/16 to the value of £33.145m (£32.524m in 2014/15).

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

The council did not qualify for a safety net payment for 2015/16, as the total income from business rate payers billed in 2015/16 was £66.753m, (£67.300m in 2014/15).

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31 March 2016. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2015/16 has been calculated at £1.337m.

For 2015/16, the total non-domestic rateable value at the year end is £174.972m (£176.207m in 2014/15). The national multipliers for 2015/16 were 48.0p for qualifying Small Businesses, and the standard multiplier being 49.3p for all other businesses (47.1p and 48.2p respectively in 2014/15).

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

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

2014/15 Restated				2015/16		
Walsall £m	Preceptors £m	Total £m		Walsall £m	Preceptors £m	Total £m
(7.750)	(0.792)	(8.542)	Balance at 1 April	(8.822)	(0.901)	(9.723)
(0.039)	(0.004)	(0.043)	Write offs during year for previous years	(0.078)	(0.008)	(0.086)
(1.033)	(0.105)	(1.138)	Contributions to provisions during year	(1.131)	(0.217)	(1.348)
(1.072)	**(0.109)**	**(1.181)**	**Net (Increase) / Decrease in Provision**	**(1.209)**	**(0.225)**	**(1.434)**
(8.822)	**(0.901)**	**(9.723)**	**Balance at 31 March**	**(10.031)**	**(1.126)**	**(11.157)**

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

2014/15				2015/16		
Walsall £m	Preceptors £m	Total £m		Walsall £m	Preceptors £m	Total £m
(1.325)	(1.379)	(2.704)	Balance at 1 April	(1.440)	(1.500)	(2.940)
(0.513)	(0.534)	(1.047)	Write offs during year for previous years	(0.343)	(0.357)	(0.700)
0.121	(0.121)	0.000	Allocate Preceptors share of BDP	0.108	(0.108)	0.000
0.277	0.534	0.811	Contributions to provisions during year	0.130	0.357	0.487
(0.115)	**(0.121)**	**(0.236)**	**Net (Increase) / Decrease in Provision**	**(0.105)**	**(0.108)**	**(0.213)**
(1.440)	**(1.500)**	**(2.940)**	**Balance at 31 March**	**(1.545)**	**(1.608)**	**(3.153)**

Business rate payers can appeal against their rateable value. As a result of these appeals lodged with the Valuation Office Agency (VOA) the collection fund account is required to provide for these appeals where they have not been settled as at 31 March 2016.

Walsall's share of this provision £3.685m is shown in note 40 page 101.

2014/15				2015/16		
Walsall £m	Preceptors £m	Total £m		Walsall £m	Preceptors £m	Total £m
(1.875)	(1.952)	(3.827)	Balance at 1 April	(3.030)	(3.154)	(6.184)
(1.155)	(1.202)	(2.357)	Contributions to provisions during year	(0.655)	(0.682)	(1.337)
(1.155)	**(1.202)**	**(2.357)**	**Net (Increase) / Decrease in Provision**	**(0.655)**	**(0.682)**	**(1.337)**
(3.030)	**(3.154)**	**(6.184)**	**Balance at 31 March**	**(3.685)**	**(3.836)**	**(7.521)**

Trust and scholarship accounts

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

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

The capital sums have been invested in statutory securities and in the case of most funds administered by Education and Children's Services and Corporate & 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 £580 (2014/15 £574).
- Joseph Leckie Memorial Fund – for the provision of scholarships. Current fund balance £29,405 (2014/15 £29,088).
- Walsall Agricultural Fund – for the provision of a prize fund. Current fund balance £769 (2014/15 £764).

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

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

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

Monies for residents in council care homes

In addition the council also holds monies on behalf of residents of council care homes who are unable to administer their own affairs. These monies are held in the council's bank account. For 2015/16 the balance of residents' monies held was £1.599 million (£1.231 million in 2014/15).

Section B – Annual Governance Statement

Annual Governance Statement

1. **Scope of responsibility**

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

3. **The Governance Framework**

4. **Review of Effectiveness**

5. **Significant Governance Issues**

Glossary

A

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

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

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

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

AGS: Annual Governance Statement.

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

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

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

B

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

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

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

Billing authority: Walsall Council is the billing authority responsible for the collection of council tax and non-domestic rates. The council tax includes amounts for precepting authorities – the West Midlands Fire and 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 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/LASAAC Code of Practice on Local Authority Accounting: The Statement of Recommended Practice applicable to preparing the accounts.

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

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

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

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

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

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

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

Corporate and democratic core: Defined elements of support service costs which are not chargeable to services, sub-divided into Democratic Representation and Corporate Management.

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

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

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

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

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

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

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

D

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

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

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

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

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.

EFA: Education Funding Agency

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

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

F

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

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

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

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

G

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

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

H

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

HMRC: Her Majesty's Revenue and Customs.

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

I

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

IFRIC: International financial reporting interpretations committee.

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

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

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

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

Inventories: Raw materials and consumable items which the council has procured to use on a continuing basis and has not been used by the end of the accounting period.

Investment properties: Interests in land and/or buildings in respect of which construction work and development have been completed and which are held for their investment potential rather than for operational purposes, any rental income being negotiated at arm's length.

Investments: Items such as company shares, other securities and money deposited with financial institutions (other than bank current accounts).

ISB: Individual Schools Budget

J

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

L

LASAAC: Local Authorities (Scotland) Accounts Advisory Committee.

Leasing: A method of acquiring the use of an asset by paying a rental for a specified period of time, rather than purchasing it outright.

LEP: Local Enterprise Partnership

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

Liabilities: Amounts due to individuals or organisations which will have to be paid at some time in the future.

LOBO: Lenders Option Borrowers Option. A form of loan that has option dates. These are dates where the lenders have the ability to change the interest rate. If this happens the borrower then has the option of either continuing the loan or redeeming it in full without any penalty.

M

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

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

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

N

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

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

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

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

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

O

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

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

P

PFI: Private Finance Initiative.

PPP: Public Private Partnership.

Precept: A levy determined by one authority which is collected on its behalf by another e.g. Walsall Council collects Police and Fire Authority precepts.

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

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

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

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

Public Works Loan Board (PWLB): A central Government agency which lends money to local authorities at lower rates than those generally available from the private sector. Local authorities are able to borrow a proportion of their requirements to finance capital expenditure from this source.

R

Replacement cost: Cost of replacement of an asset at the balance sheet date.

Reserves: Amounts set aside in the accounts to meet expenditure which the council may decide to incur in future period, but not allocated to specific liabilities which are certain or very likely to occur. Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as balances, and usually arise as unplanned surpluses of income over expenditure.

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

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

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

Revenue Support Grant: A central government grant paid to each local authority to help to finance its general expenditure. The distribution of the grant between authorities is intended to allow the provision of similar standards of service throughout the country for a similar council tax levy.

Ring-fenced: This refers to the statutory requirement that certain accounts such as the Collection Fund must be maintained separately from the General Fund.

S

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

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

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

T

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

U

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

Contact details and sources of information

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

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

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

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

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

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

West Midlands Pension Fund
PO Box 3948
Wolverhampton WV1 1XP
Website: http://www.wmpfonline.com

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

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